# Solomon Islands

**AGRICULTURE & RURAL DEVELOPMENT STRATEGY** 



Building local foundations for rural development



Solomon Islands Government Ministry of Development Planning and Aid Coordination



AGRICULTURE & RURAL DEVELOPMENT STRATEGY



Building local foundations for rural development

**MARCH 2007** 

## Acronyms and Abbreviations

ADB	Asian Development Bank	I
ARDS	Agriculture and Rural Development Strategy	
AusAID	Australian Agency for International Development	I
CBO	Community-based organization	I
CBSI	Central Bank of the Solomon Islands	I
CEMA	Commodity Export Marketing Authority	]
CSP	Community Support Program	
DBSI	Development Bank of the Solomon Islands	]
FAO	Food and Agriculture Organization	] ]
FFA	Forum Fisheries Agency	
FMSP	Financial Management Strengthening Program (AusAID)	1
GDP	Gross Domestic Product	9
GEF	Global Environment Facility	<b>C</b>
HIES	Household Income and Expenditure Survey	9
ICT	Information and Communication Technologies	ę
JICA	Japan International Cooperation Agency	9
KGA	Kastom Gaden Association	
MAL	Ministry of Agriculture and Livestock	e
MDPAC	Ministry of Development Planning and Aid Coordination	9
MID	Ministry of Infrastructure Development	]
MOF	Ministry of Fisheries	_
MOFEC	Ministry of Forestry, Environment, and Conservation	]
MOFT	Ministry of Finance and Treasury	]
MOG	Machinery of Government	I
MOLS	Ministry of Lands and Survey	
	-	

MPGRD	Ministry of Provincial Government and Rural Development
NERRDP	National Economic Recovery, Reform and Development Plan
NGO	Non-governmental organization
NZAID	New Zealand Agency for International Development
PG	Provisional Government
PGSP	Provincial Government Strengthening Program
RAMSI	Regional Assistance Mission in the Solomon Islands
RDP	Rural Development Program
RIPEL	Russell Islands Plantation Estates, Ltd.
ROC	Republic of China (Taiwan)
RTC	Rural Training Center
SI\$	Solomon Islands Dollar
SICCI	Solomon Islands Chamber of Commerce and Industry
SICHE	Solomon Islands College of Higher Education
SIEA	Solomon Islands Electricity Authority
SIG	Solomon Islands Government
SIISLAP	Solomon Islands Institutional Strengthening of Land Administration Project
SIRIP	Solomon Islands Road Improvement Program
SPC	Secretariat of the Pacific Community
TARDP	Transitional Agriculture and Rural Development Program (European Commission)
TSAP	Transitional Support for Agriculture Program (AusAID)
TVET	Technical, Vocational Education and Training
UNDP	United Nations Development Program

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# Foreword

Solomon Islands Grand Coalition for Change Government has made rural development its priority and is one of the building blocks for lasting peace and stability. The Government's rural development framework envisages efficient ways of providing support services and infrastructure that would encourage both communities and rural businesses to improve their productivity and income. Approaches of past rural development initiatives over the last decade have not worked well. Therefore, development efforts now need to look at new ways to support long-term growth with equity, and promote involvement of communities in development and strengthening their own governance structures to enable meaningful participation and decision making. Recognizing the complexity and challenges in promoting rural development and growth in the rural economy, the Agriculture and Rural Development Strategy (ARDS) aims to provide a medium to long-term framework that supports strengthening of local systems, promotion of rural growth and good management of natural resources in order to enhance sustainable growth.

The preparation of the Agricultural and Rural Development Strategy has involved a wide consultation process with key stakeholders, including representatives from the National Government, Provincial Governments, NGOs, development partners and women representatives. It also involved national workshops that brought together representatives of the stakeholders to discuss and share issues of rural development from their various contexts. ARDS therefore, is a result of much consultation both in Honiara and the Provinces. It also draws on international and regional experiences with lessons from best practice, including in-country studies.

The challenge now lies in implementing the prioritized actions of the Strategy in all nine provinces through the Rural Development Program (RDP). This will entail decision makers making hard choices, which identify the real priorities for both shortterm and long-term actions and take into account specific Provincial needs. Frankly, there is no alternative but hard work and enhancement of good partnerships and close collaboration among the key stakeholders. While we fully understand and acknowledge the difficulties and complexities that need to be overcome, the Government is confident that the joint efforts demonstrated in the preparation of the Agricultural and Rural Development Strategy by the Government, our development partners, Provincial Governments and the communities will pave the way forward for an improved system that will enable government to respond to local needs and service delivery. This will develop opportunities for rural growth that will improve rural livelihoods and benefit more people.

On behalf of the Government of Solomon Islands, I wish to thank all individuals and organizations that have contributed to the preparation and finalization of this Strategy. I further wish to acknowledge with great appreciation the World Bank, European Union and Australia for providing financial and technical assistance to support the preparation of this document.

I also wish to express my personal gratitude to the staff of my Ministry, the staff of the Ministry of Agriculture and Livestock, Ministry for Finance and Treasury, Ministry of Infrastructure Development and Ministry of Provincial Government and Rural Development for their leadership, commitment and dedication in fulfilling their tasks.



**Hon. Steve Abana** Minister for Development Planning and Aid Coordination

# Acknowledgments

The Solomon Islands Agriculture and Rural Development Strategy (ARDS) has been a collaborative effort that involved many contributors over one year. The ARDS was prepared under the leadership of the Ministry of Development Planning and Aid Coordination (MDPAC, formerly Department of National Planning and Aid Coordination). Mrs. Jane Waetara, Permanent Secretary, coordinated the work on behalf of the Solomon Islands Government and chaired the ARDS Steering Group. Messrs./Mmes. Shadrach Fanega (Permanent Secretary, Finance and Treasury); Luma Darcy (Permanent Secretary, Finance and Treasury); Israel Wore (Permanent Secretary, Agriculture and Livestock); Tione Bugotu (Permanent Secretary, Provincial Government and Rural Development); Peter Hauia (Permanent Secretary, Infrastructure Development); Evans Tuhagenga (Under Secretary, MDPAC); Moses Virivolomo (Under Secretary, Infrastructure Development); Harry Kuma (Under Secretary, Finance and Treasury); Selina Boso (Director, MPGRD); Mckinnie Dentana (Policy Analyst, Economic Reform Unit); Joanne Asquith (Advisor, Economic Reform Unit); Noelyne Biliki (Director, MDPAC); Tracy Richardson (former Planning Officer, MDPAC); Andrew Prakash (Planning Officer, MDPAC); Sharon Newcomb (Development Services Exchange); Judith Fangalafu'u (SICA); Sally Ziku (Solomon Islands Chamber of Commerce and Industry); Henry Vouva (RTC Federation); Paul Craig, Leonard Paia, and Philip Taisau (EU PMU, MDPAC); and Paul Wright (RAMSI/AusAID) contributed to the work of the Steering Committee.

During the preparation of the ARDS, valuable guidance was provided by Hon. Toswell Kaua (Deputy Prime Minister and Minister, Agriculture and Livestock); Hon. Gordon Darcy Lilo (Minister, Finance and Treasury); Hon. Steve Abana (Minister, Development Planning and Aid Coordination); Hon. Jaiphet Waipora (Minister, Provincial Government and Rural Development); Hon. Job Dudley Tausinga (former Deputy Prime Minister, Minister, Forests, Environment and Conservation); Hon. Bartholomew Ulufa'Alu (former Minister, Finance and Treasury); and Hon. Fred Fono (former Minister, National Planning and Aid Coordination). Further guidance was also regularly provided by the Policy Advisory Unit in the Prime Minister Office.

Very special thanks for their contributions to this work go to the Premiers and Provincial Secretaries of Central, Choiseul, Guadalcanal, Isabel, Malaita, Makira, Rennell and Bellona, Temotu and Western provinces, as well as their staff and the many others-in the private sector, in civil society, in the villages, and in Honiara – who contributed time and their views to the preparation of the ARDS. Local leaders and rural communities are also thanked for their support and warm hospitality. Finally, thanks to the staff of the Ministries of Agriculture and Livestock; Forests, Environment and Conservation; Lands and Survey; Fisheries and Marine Resources; Finance and Treasury; Development Planning and Aid Coordination; Commerce; Education; Infrastructure Development; Central Bank of Solomon Islands; as well as Development Services Exchange and its members for their many contributions throughout the ARDS preparation process.



Donor support for the preparation of the ARDS was coordinated by Marianne Grosclaude (World Bank), with support from William Cuddihy, Oliver Braedt, Philippe Boyer, Tom Vigus, Tarcisius Tara Kabutaulaka, and Christophe Ribes Ros; Stuart Schaefer and Paul Wright (RAMSI/AusAID); Ian Kershaw, Nadira Mailewa, Deborah Fulton (AusAID); Jozias Blok, Henry Prankerd, Jennifer Tugunau, and Jennifer Brown (European Commission). Many others also contributed through regular advice and guidance, including Zhu Xian, Mark Wilson, Stephen Mink, Christopher Bleakley, Hoonae Kim, Elisabeth Mealey, Manjula Luthria and Steven Oliver (World Bank); and as peer reviewers: Paul Barker (Institute of National Affairs, Papua New Guinea), Liselotte Isaksson and Willem Olthof (European Commission, Brussels); Alwyn Chilver and Geoffrey Fox (AusAID, Canberra); and Michael Baxter and Pierre Werbrouck (World Bank).

Direct contributions were provided by the authors of the ARDS background studies and notes, including **Robert Warner**, **Andrew McGregor**, **Ishmael Wore**, and **Moses Pelomo** (rural growth); **Craig Sugden** (public expenditure); **Camilla Holmemo** and **Claudine Watoto** (rural service delivery); **David Macfarlane**, **Frans Doorman**, and **Andrew Nanauleau** (agriculture support services); **John Gibson**, **Tony Jansen**, and **Richard Pauku** (rural livelihoods); **Dan Vadjnal** (fisheries); and **Ben Everts** (forestry). Finally, **Ron Duncan** contributed to the ARDS preparation launch workshop in March 2006.

# Preface

## Why an Agriculture and Rural Development Strategy?

In May 2006, the Government of the 1. Solomon Islands placed rural development at the top of its policy agenda. The Solomon Islands Government's May 2006 Policy Framework Document places emphasis on "development through a bottomup and holistic approach that encompasses the empowerment of the people through rural advancement strategies, the pursuit of the Millennium Development Goals, the revitalization of the economy, improved law and order, effective service delivery and the devolution of powers and functions and decision-making authority to the periphery".1 Rural development challenges are many and complex, yet resources to address them are limited. The Government and its development partners have therefore recognized that more efficient use of available resources is needed.

There is a strong demand from Solo-2. mon Islanders-84 percent of whom live in rural areas-for progress with rural development but a widespread perception that past efforts have not produced the expected results. While some progress has been made since the arrival of the Regional Assistance Mission in the Solomon Islands (RAMSI) in rehabilitating basic rural infrastructure and services (in particular, health, education, and transport infrastructure), rural livelihoods have deteriorated with much to be done to revive the rural economy. The 2004 Peace and Conflict Analysis<sup>2</sup> found that the shortage and imbalance in access to government services and to income-earning opportunities contributed to the 1999-2003 Tensions. Since then, the slow recovery of the economy combined with the underinvestment in rural services and infrastructure have continued to generate social discontent. Short-term or permanent migration to Honiara has had limited trickle down effects on the rural economy and remains a potential source of social conflicts. Land tenure issues and governance in the forest sector have also contributed to social pressures.

3. There is a need to improve the consistency and efficiency of ongoing efforts. In the aftermath of the Tensions, reconstruction and rehabilitation efforts have legitimately been directed toward immediate needs with less emphasis on sustainability. Questions about the transparency, efficiency, and consistency of those efforts have emerged. A longer-term perspective is needed to ensure that rural development resources are used efficiently and lead to better and sustainable outcomes in terms of rural livelihoods. In particular, what could be done differently to improve the impact of rural development efforts within existing capacity and resource constraints? And could resources be used more efficiently? The Agriculture and Rural Development Strategy (ARDS) addresses those key questions as a contribution to ongoing efforts to improve rural livelihoods and foster rural growth.

The ARDS provides a review of the 4. status of rural development and discusses existing opportunities and actions needed to realize those opportunities. It provides the analytical underpinnings for a prioritized program of actions to revive the rural economy, consistent with available resources and capacity; and integrates the outcome of the broad consultations undertaken during its preparation. Finally, the ARDS identifies available resources to implement this prioritized program of action in the short to medium term. In line with Government's focus on local development, the ARDS focuses on building local foundations for rural development.

#### How was the ARDS prepared?

5. The ARDS is a partnership between the Solomon Islands Government (SIG) and donors. The preparation of the ARDS was coordinated by the Ministry of Devel-





opment Planning and Aid Coordination (MDPAC) with support from AusAID/ RAMSI, the European Commission, and the World Bank. To ensure local ownership, a Steering Committee representing key ministries, civil society, private sector and donors guided the ARDS preparation.

6. The preparation of the ARDS combined analysis and research with broad public consultations throughout the coun*try*. The agenda and scope of the ARDS were set during a preparation launch workshop in Honiara in March 2006, with participation of all provinces and different stakeholders. A team of national and international experts working with the relevant ministries and consulting with various stakeholders analyzed the key issues and lessons from local and international experiences. From this they developed recommendations.<sup>3</sup> From July 2006 to February 2007, the feedback and views of a broad range of stakeholders on initial findings were sought. The stakeholders – members of Parliament, Government officials; and representatives provincial governments, villages, private sector, NGOs, churches, community-based organizations, and donors - were consulted in Honiara and in the provinces.<sup>4</sup>

#### The structure of this document

7. This report incorporates reviews and studies conducted and assembled for the ARDS and the outcome of consultations held in Honiara and in the provinces. The document comprises 4 sections:

- Chapter I presents a review of the current rural development situation.
- Chapter II discusses growth prospects and opportunities in the short to medium term (2011 horizon) and medium to long term (2020 horizon).
- Chapter III presents the ARDS recommendations as regards priority interventions in agriculture and rural de-

velopment over the short, medium and long term.

• **Chapter IV** discusses ARDS implementation, including tailoring the approach to the different provinces, monitoring ARDS implementation, and matching resources with priorities.

#### **Footnotes**

- 1. GCCG, 2006a.
- 2. Solomon Islands Government, National Peace Council, UNDP.
- 3. Key building blocks for the analysis included Government policy documents (GCCG, 2006a; 2006b)); the Smallholder Agriculture Study (AusAID, 2006a); a review of sources of income in rural areas (Gibson, Jansen, Pauku, 2006); a review of sources of rural growth (Warner, Mc-Gregor, Wore, and Pelomo, 2006); a study of service delivery in rural areas (Holmemo and Watoto, 2006); a review of farm support services (Doorman, MacFarlane, Nanaulea, 2006); a review of public finance for agriculture and rural development (Sugden, 2006); recent work conducted under EC and AusAID-financed projects on forestry; recent work on rural finance (CBSI, 2005); work on private sector development (ADB, 2005); the National Transport Plan (SIG, 2006b); work by UNDP and AusAID on provincial governments; reviews of the NERRDP; and documents prepared by the SIG High-level Task Forces in 2003/2004. References are provided at the end of this document.
- 4. All provinces were visited, with the exception of Temotu province due to logistical problems; however, Temotu representatives were consulted in Honiara.

# **Executive Summary**

#### Solomon Islands Agriculture and Rural Development Strategy (ARDS): Building Local Foundations for Rural Development

The Solomon Islands has abundant 1. natural resources that have provided subsistence livelihoods for a population of approximately 500,000 people. Until relatively recently, resource management has not been an issue. Over the past few decades, however, the resource base has been degraded and the small non-farm economy has failed to generate jobs and demand for rural products. While public policy has recognized the need for attention to conditions in the rural economy, actual expenditure from both domestic and donor resources has generally been focused elsewhere. This has led to a loss of confidence in Government, both at national and local level, exemplified during the Tensions (1999-2003).5 With few exceptions, donor efforts have also been unable to stimulate significant rural development that lasts beyond the intervention period. Clearly, a new approach is needed.

The impact of the Tensions on the 2. country has been profound. There have been many achievements since 2003. Law and order was restored after the arrival of the Regional Assistance Mission in the Solomon Islands (RAMSI). A sound macroeconomic framework is in place. Health and education and some transport infrastructure have been rehabilitated. The smallholder agriculture sector is resilient and functioning. However, gross domestic product (GDP) per capita in the Solomon Islands is still two-thirds of its pre-conflict level and the lowest of Pacific island countries. The Tensions have exacerbated some of the issues already emerging in the preceding years-living standards in many rural areas have degraded due to constrained access to basic rural services and infrastructure and the disruption of marketing channels. Public resources for rural development have decreased following the deterioration of the general fiscal position. Rural agencies have been heavily hit by those budget cuts. There are issues with the quality of growth—a growth based to a large extent upon unsustainable natural forest logging rates; a growth that has not created significant employment for a fast growing, young population. An estimated 40 percent of the population was below age 15 in 2006.

The Government of Solomon Islands 3. has made rural development its priority. Progress in rural development will be a building block for lasting peace and stability. There are however many examples of failed initiatives in public support of rural development over the past decade. To address past weaknesses, the Government favors a more decentralized approach to rural development with a focus on local economic development, including a greater involvement of rural communities in decisions on local development ("bottomup approach") and bringing rural services closer to rural communities (devolving responsibilities "to the periphery"). A broad reform program in natural resources management is also envisaged with a focus on more sustainable use of the country's resources and greater benefits for rural communities (the resource owners).

4. Selectivity is needed. The needs are many. Capacity and resources to address them will remain limited in the medium term. Difficult choices must be made with regard to the focus and level of public support for rural development. Not everything can be addressed at once and consideration has to be given to the most appropriate sequencing of reforms and investments, taking into account recent social and economic developments. A long-term vision of what can be achieved is also needed to inform immediate decisions and avoid undermining long-term prospects over the benefit of short-term gains.





Strategies for rural development and 5. rural growth need to go beyond improving agricultural productivity. While agriculture will continue to play a major role in terms of income generation and employment opportunities, many other interlinking factors have to be considered to bring about structural change in the economy, improve social infrastructure, and generate income. The Solomon Islands Agriculture and Rural Development Strategy (ARDS) goes beyond agricultural issues to reach a broader view of the priorities for the development of rural areas. However, the ARDS at this stage has not dealt with education, health, and social protection in rural areas. These issues are being covered through other work complementary to the ARDS.

The country's rich resource base and 6. resilient agriculture sector provide the foundation for rural growth. More sustainable and inclusive growth could be achieved. In the short to medium term, the rural economy would contribute increasingly to more inclusive growth and employment creation if constraints to private sector investments are lifted through a supportive policy environment; investments are made in rural infrastructure, utilities and services; and support services are provided for smallholder producers and growers. In the medium to long term, broader institutional strengthening will be needed to support local development beyond donor-supported interventions. And progress must be made to sort out land and natural resource management issues.

7. Short-term priorities need to take into consideration the impact of the civil conflict. In the short to medium term, focus is needed on activities and interventions that would minimize the risk of recurrent conflict and promote social cohesion. They should also address some of the remaining causes of the Tensions, including the lack of transparency in the allocation of public resources and the lack of public investment in rural development. And focus on the quality of growth should help to generate much needed employment and income-generating opportunities. Having dealt with the conflicts of the country's recent history, rural households express their priorities in terms of continued peace and security, improved local governance and rural service delivery and access to regular sources of income-generating opportunities.

## Three Priorities for Rural Growth and Employment Generation

The Government foresees responding 8. to rural Solomon Islanders by focusing on three areas: (a) local participation of rural communities in economic development, including through strengthening provincial governments; (b) supporting agriculture, infrastructure and rural finance services; and (c) improving the management and sustainability of the country's rich natural resources. To achieve the objectives of these three closely linked areas, the ARDS has reviewed what could be achieved in the medium term (2011 horizon) and longer term (2020 horizon), and how it could be achieved.

## Improving local governance and service delivery

9. Improving local governance and service delivery will support rural growth directly and indirectly. It responds to rural households demand for greater participation in economic development and decisionmaking, and more transparency and accountability of public spending, including at the local level. Properly resourced and well-functioning local governments could provide the indispensable connection between rural communities and the Central Government while improving service delivery in rural areas and contributing to a more favorable investment climate. The Solomon Islands needs to

strengthen its national institutions and systems and gradually build their capacity to deliver critical public services and infrastructure in rural areas.

10. Making better use of public resources for rural development: strengthening Government systems. Available resources could be used in a more transparent and efficient manner. Support from central agencies is required to improve planning and budgeting systems, both in sector agencies and in the provinces. Predictable resources are needed to move away from ad hoc, uncoordinated rural development investments at the local level and toward more efficient, consistent, and sustainable local development initiatives. In the short to medium term, this could be achieved locally by strengthening simple participatory planning processes on the basis of a predictable resource envelope. This could be done at the provincial level and lower level (depending on the governance structure and size of the province, for example). For Government and donors, this would also mean improving the transparency of resources allocation and their alignment with locally identified and national priorities. Improving budget processes and execution would have to accompany those efforts. In the medium to long term, broader reforms of the planning and budgeting processes could be sought, including the institutionalization of local planning, the integration of the recurrent and development budget, and the use of a medium-term expenditure framework to guide inter-annual resource allocations.

11. *Improved rural service delivery mechanisms*. Service delivery will remain expensive particularly in more remote areas, and hard choices need to be made in terms of the level of service that can be provided from public resources. *In the short to medium term*, because of insufficient capacity and scarce resources, strengthening partnerships among public sector agencies, the private sector, and nongovernmental organizations (NGOs) is likely to be the most efficient way to improve service delivery. This would start by clarifying which services can be outsourced and which are better provided by the private sector (or NGOs); and re-focusing public agencies on core public functions, as is being done by the Ministry of Infrastructure Development. All partners would need to build capacity, and potential service providers would be identified along with their skills and capacity. In the medium to long term, the gradual introduction of user-pay systems would contribute to the financial sustainability of service delivery.

12. Assuring the linkages among all stakeholders. Local governments, strengthened and accountable to local communities, will be needed to ensure coordinated service provision in rural areas. This can be done through improved linkages between provincial governments and rural communities, as well as central agencies and provincial governments. In the short- to medium-term, provincial governments must have clarification of their specific responsibility for service delivery. Their capacity to implement these functions should be made adequate. And all partnerships with sector agencies (at national level) and with service providers (community-based or private sector at the local level) should be strengthened. Resource transfers to provincial governments would be increased as their capacity for service delivery is built. Progress is expected to be uneven in different provinces, and support would have to be tailored to their respective situation and needs. The possibility to directly involve communities in the management of village development resources would also be tested. In the medium- to long-term, local governance reforms could be consolidated in particular through whole-of-government civil





service reform and consolidation of the fiscal position of local governments.

## Supporting the local economy: more inclusive growth

13. A more inclusive and sustainable growth path will be an important ingredient of sustainable rural development. The current growth path, fueled to a great extent by unsustainable logging of natural forests, has not improved the livelihoods of a majority of the rural population. In the short to medium term, growth and employment generation will have to be generated in the agriculture and informal sector in view of limited opportunities in other sectors. In rural areas, private sector development and agricultural development will be closely linked. Realizing this potential will require addressing the immediate constraints faced by the sector – access to reliable and affordable transportation, telecommunication, and energy infrastructure and services; agricultural support services; and a conducive policy environment. In the longer term, it is unlikely that the rural economy alone will be able to absorb the increased entrants in the labor market. Growth in other sectors will be needed.

14. *Supportive economic policy reforms*. A review of key policies directly affecting rural economic development shows that some of them are actually constraining rural growth. *In the short to medium term*, the continuation of targeted reforms to address those policies with negative impact on rural investment (and growth) needs to be sought. This would include the regulation of utilities and that of shipping services; taxation and the trade tax regime; and business regulations.

15. *Focused agricultural support services responsive to local demand*. Institutions supporting the agriculture sector have been particularly affected by the country's recent history, and rebuilding them will

be a long-term process. In the short to medium term, early results could be achieved by focusing efforts on responding to immediate needs expressed in the provinces, rather than embarking up-front on broad institutional reforms in the Ministry of Agriculture and Livestock or top-down programming of resources as done in the past. Strengthening capacity and resources for the local-level delivery of agriculture services is likely to be more efficient than centralized agriculture service delivery. Developing partnerships with the private sector will be critical for market access and development. Priority would also be given to strengthening sanitary and phyto-sanitary safeguards to protect the Solomon Islands' agriculture in view of increased risks as production and trade intensifies. Finally, the diffusion of innovation to rural producers, making use in particular of those readily available in the region through the existing network of service providers (and emerging professional associations), would produce early results. In the medium to long term, broader institutional reforms within the Ministry of Agriculture and Livestock could be envisaged, as priorities for public agriculture support are further defined and as human resource issues are gradually addressed in the sector.

16. Improved rural infrastructure is a necessary condition for rural develop*ment*. Improving access to reliable and affordable rural infrastructure services (transportation, telecommunications, energy sources) is a central pillar of a rural growth strategy. It is also a strong priority expressed by rural households. In the short to medium term, more coordinated and strategic investments in transport infrastructure are expected through the implementation of the National Transport Plan. The improvement of inter-island shipping services is a high priority for the marketing of rural products; however, careful consideration should be given to incentives in the sector. As in other countries, a revision of the regulatory environment for the telecommunication sector could unlock the potential for more investments and growth in rural areas. And access to energy sources is a condition for the diversification of the rural economy envisaged by the Government.

17. Paving the way for the development of rural finance services. The development of sustainable banking services in rural areas faces many challenges, including high costs of transportation and telecommunication. Coercing banks into providing rural finance is unlikely to provide the desired results. Reviews indicate that an important constraint is in fact the lack of bankable proposals (more than liquidity constraints). In the short- to medium-term, public efforts to support the development of rural financial services will be more efficient by targeting the main constraints – reducing the costs of transport and telecommunications in rural areas, improving financial literacy, and providing business management training to traders and rural small and medium enterprises.

## Managing natural resources for the **benefit of rural Solomon Islanders**

18. Improving the management of the country's rich natural resources will contribute to better local governance and sustainable growth. Poor governance in the forestry sector has contributed to acute social (and environmental) issues in some areas and distrust of traditional and government institutions. Unresolved land issues affect public and private investments in rural areas. And, where pressure on the resource is high, disputes have increased. Better management of land, forest, and marine resources could contribute to greater returns for resource owners, more sustainable economic growth, and reduced social pressures.

19. Supporting the adaptation of land tenure systems: a cautious approach to land reforms. In the short to medium term, a cautious, step-by-step approach to land issues is needed as they remain sensitive and the human resources needed to implement broad reforms are not yet available. Public dialogue and policy development needs to be informed by more research into options to improve the functioning of land markets without compromising the security of tenure under customary land ownership. Improving the resolution of the backlog of land disputes will also be an important contribution to social stability and future investments in rural areas. *In the medium to long term,* the consistency of land policies over time will be an important factor to improve the investment climate. A better resourced and trained land administration will be needed to address the challenging land agenda. This will require a long-term commitment before significant progress results.

20. Preparing for the structural change in the forestry sector. Due to the continuation of unsustainable rates of logging, forecasts indicate that commercially exploitable natural forest resources will be fully depleted by the year 2012. With those resources already under license, the sector will be facing a major restructuring in the medium term toward plantation forestry, both large scale and by smallholders (with the expansion of plantations at the village level on customary land the main prospect). In the short to medium term, the sector needs to prepare for this transition by strengthening the capacity of the Forestry Administration to conduct its core functions and to support the transition in the structure of the forestry industry, including at the local level. Broader efforts to strengthen governance in the sector, such as improved monitoring of log exports, could also slow down current trends in logging and increase benefits to both resource owners and the national economy.







Finally, resource conservation and management initiatives involving rural communities could provide another avenue to respond to the need for better resource management and greater benefits at the local level.

21. Fisheries resources management: local and international partnerships. The potential contribution of the fisheries sector to the rural economy has not been fully realized. The key to greater and more sustainable fisheries resource contribution to the rural economy will be both local and international. At the local level, in the short to medium term, successful resource management initiatives involving local communities need to be promoted, and the capacity of local fisheries officers to facilitate them gradually built. Business management training needs to be provided to support private sector involvement. At national level, strengthening management of offshore fisheries resources will be a long-term process, which could start with further prioritization of the recommendations of the Tuna Management and Development Plan Review. In the longer term, continued improvement of governance and institutional reforms in the sector will be needed, as well as stronger involvement in regional cooperation on resource management.

## Toward Implementation and Results on the Ground

22. The capacity and resources of provincial governments vary from one province to another, as do economic growth potential and opportunities and local aspirations and priorities. Also the presence of NGOs and the private sector and the status of infrastructure and services differ from one province to another. Those differences have been relatively well-documented, which provides the foundation for the preparation of local development plans on the basis of available resources. While the proposed approach under the ARDS would be valid for all provinces, implementation would require its translation into local priorities based on each province's specific potential and challenges.

23. Localizing the ARDS: a tailored approach in each province. Substantial resources are expected to be available in the short to medium term to implement the priorities identified in the ARDS. Progress is already under way in addressing them. Some areas have been identified; however, where there are inconsistencies in approaches, policies and further dialogue are needed to resolve those differences and ensure that resources are not wasted through conflicting efforts. There are examples where potential conflicts could arise: the way donor resources are programmed and channeled in the provinces; the focus of agricultural extension services; and the role of the public sector with regard to the provision of rural finance.

24. *ARDS Recommendations.* A summary matrix in Annex A details the proposed priority actions in relation to available resources, ongoing or planned new programs, as well as specific responsibilities of line agencies and other development partners. The recommended actions are built upon achievable objectives:

- 1. Make better use of available resources.
  - Strengthen planning
  - Strengthen public budgeting process
  - Improve public financial management
- 2. Improve rural service delivery mechanisms.
  - Strengthen local government
  - Strengthen community involvement in local development
  - Strengthen the capacity of the private sector and NGOs to deliver services
- 3. Implement policies supportive of rural development.
- 4. Focus on agricultural support services.

- Strengthen agricultural sector management
- Facilitate the diffusion and adoption of innovation and market development
- Strengthen agricultural sector skills
- 5. Improve access to rural infrastructure services.
  - Upgrade rural transportation
  - Expand access to telecommunications
  - Facilitate access to rural energy supply
- 6. Pave way for the development of rural finance services.
- 7. Support the adaptation of land tenure systems.
- 8. Prepare for structural changes in the forestry sector.
- 9. Improve fisheries resources management through local and international partnerships.

25. *Monitoring progress and documenting success*. A small set of indicators to monitor progress with the implementation of the ARDS and to measure success in reaching agreed benchmarks has been included in the ARDS.

#### **Footnotes**

5. The roots of the Tensions lay in longstanding unresolved issues such as land ownership and control of resources exacerbated by inter-island migrations, in particular to Guadalcanal Province (UN Chronicle, 1999).



# CHAPTER I Understanding the Current Situation of Rural Development

LEARNING FROM PAST AND RECENT EXPERIENCE



#### Learning from past and recent experience

The Solomon Islands is a relatively 1. small country with a population of approximately 0.5 million people. It has a small, rural economy relying on rich natural resources. Approximately 12 percent of its land is classified as agricultural and 80 percent as forest. Mostly semi-subsistence agriculture provides the income basis for most of the population (an estimated 84 percent), represents over a third of gross domestic product (GDP), and serves as the main employment and safety net. The resilient semi-subsistence agriculture sector is a strong asset for rural development, as well as the rich natural resource endowment of the country (its land, forests, marine resources, and biodiversity). Yet, those resources have failed to produce visible improvements in the livelihoods of the majority of the population. Clearly, a new approach is needed.

# A. Recognizing the challenges ahead

Mitigating structural constraints. 2. The Solomon Islands shares many of the challenges faced by small-island economies. They face remoteness that results in high transportation costs and distance from main markets; higher cost of provision of public goods per capita; lack of diversification of the economy, due to small domestic markets and low private sector capacity; and openness, leaving the economy vulnerable to external economic and environmental shocks. To mitigate structural constraints, the country needs to consider policies and investments that reduce the cost of provision of public goods (such as basic services and infrastructure); reduce transportation costs and facilitate integration with markets; create a favorable investment climate and facilitate the diversification of the economy through private investment; and mitigate the risks of natural hazards. The response in the past



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has been direct and heavy involvement of Government in the productive sector. Similar to the experience of other countries, this has not produced the expected results and has proved unsustainable.

The Solomon Islands is emerging 3. from a period of civil conflict that has had a deep impact on the economy. Law and order have been restored after the arrival of Regional Assistance Mission in the Solomon Islands (RAMSI) in 2003. Progress has been made in re-establishing the basic functions of government, and the country is moving from post-conflict reconstruction to longer-term development planning. However, infrastructure and basic service delivery have not been fully restored. The production and marketing of agricultural export commodities (oil palm, copra, and cocoa) are below their late-1990 levels. The fisheries sector and the emerging tourism industry have also been substantially affected and have yet to recover fully. Finally, the period of Tensions<sup>1</sup> (1999-2003) was accompanied by the acceleration of logging of natural forests to levels that have reached four times the sustainable level. The economy has contracted; combined with rapid population growth, GDP per capita is still two-thirds of its pre-conflict level and the lowest of all Pacific island countries.

The period of "Tensions" has also 4. had a profound social impact. The country shares some of the characteristics of its Melanesian neighbors, including rapid population growth and communally focused cultural norms influencing asset ownership (80 percent of the land is customary owned), economic mobility, and governance. The civil conflict has affected trust in the relatively young state institutions-government and formal-and exacerbated governance issues associated with natural resources management, particularly land and forest resources. In the aftermath of the Tensions, rural house-



holds have expressed a strong demand for greater participation in local decisionmaking and for more devolution of decisionmaking authority to the local level. There is also a demand for more balanced regional development and equity and transparency in the allocation of public resources for local development.

5. *Population growth is one of the highest in the region.* At 2.8 percent growth per annum, the population will double within a generation. Population growth is putting pressure on natural resources; increasing the demand for basic services; and increasing the need for employment creation, particularly for young people. Approximately 75 percent of the total population of young people (approximately 92,000 people) is not attending school or further education. This large group, ages 15 to 29, has high aspirations that are not being met by the education system.

6. As the Solomon Islands takes a new look at rural development, these constraints need to be considered. If they are overlooked, they will affect the continuation of peace and stability. "Business as usual" is unlikely to lead to the development outcomes to which Solomon Islanders aspire.

# B. Rural incomes and livelihoods in transition

The rural economy has seen few ben-7. efits from urban development. Rural livelihoods remain largely dependent on agriculture; fisheries; and forestry; as well as informal, small-scale economic activities. In contrast with the large-scale plantation sector, semi-subsistence agriculture, which provides livelihoods for 95 percent of the rural population, has shown its resilience and has been both the main safety net and the backbone of the economy over the past years. Cash income and subsistence agriculture are the twin pillars of sustainable livelihoods.<sup>2</sup> They often complement each other. Household livelihood strategies involve multiple goal activities, some of which contribute to the creation

of physical capital while others respond to social goals. Both are important and interdependent. Nonetheless there is a clear and strong desire among rural people for increased cash incomes but high frustration at the lack of opportunities.

8. *Rural-urban income gap have developed.* The concentration of investments and employment opportunities in Honiara and the Guadalcanal plains has resulted in a huge rural-urban income gap.<sup>3</sup> Rural incomes and consumption levels are generally low, much lower that those in urban areas; and there are important variations between provinces and within provinces.<sup>4</sup>

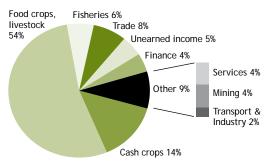
Food security is generally not an is-9. sue although some areas are under stress. Overall food production has been able to keep pace with rapid population growth, through considerable intensification of land use. There are exceptions in areas of difficult or vulnerable physical environments (for example, Weather coast and atolls) or when population pressure on land is high and new difficulties have emerged (declining fertility, increased pest and disease incidence). Logging has also reduced the availability of suitable land for food gardens in some locations, creating concerns about future food security in those areas.

10. Short-term or permanent migration is increasingly the chosen response. In areas where population pressure is high or where income-generating opportunities are restrained by lack of access to markets, people migrate for short term or permanently. For example, there are indications that, out of a population of approximately 9,000, only 2,000 people reside on a permanent basis in Rennell and Bellona Province. However, these migration flows have had limited trickle down effects on the rural economy, with little evidence that remittances have contributed to rural investments.5 They have also been one of the contributing factors to the Tensions, in particular in Guadalcanal province.

11. Food marketing is an important and increasing source of cash incomes for

many villagers.6 Recent work confirmed trends identified in the early 1990s, in particular the importance of food gardens and fishing in livelihood strategies, including as a source of cash (Figure I.1). This has generally been overlooked in interventions to improve rural livelihoods. The level and diversification of subsistence and cash-earning activities is largely determined by market access and physical constraints, with a greater reliance on natural resources (fisheries and forestry) in poorly serviced areas. Conversely, despite the considerable public support for rice cultivation, it is grown by less than 10 percent of rural households.

## FIGURE I.1. VALUE OF RURAL ACTIVITIES, 1993



Source: Warner, McGregor, Wore, Pelomo (2006); Data source: Ministry of Finance, 1995

12. The contribution of forestry to rural livelihoods is difficult to estimate. The 2006 Community Support Program (CSP) Snapshot (which surveyed 300 villages in country) found that 38 percent of villages reported income from timber and logging royalties, and 21 percent reported the ownership of some plantation forests. While no information on level of income is provided, general observations are that little logging income makes its way to villages (Box I.1). There is only rare re-investment in community facilities or employment creating opportunities. Smallholder plantations are estimated to total approximately 5,400 hectares.7 With most recent plantings in teak, they will not contribute significantly to rural incomes for another 20 years.

13. On average, less than 10 percent of the rural population has access to formal

*employment.* There is little data available about incomes from informal, non-farm rural activities. With little prospects in the formal sector in the short to medium term, employment creation will have to come from the informal sector, primarily in rural locations, and be driven by agricultural production and marketing.

#### BOX I.1. LISTENING TO THE PROVINCES: RURAL LIVELIHOODS

In preparing the ARDS, consultations were conducted with rural communities in the provinces. While there were many issues raised specific to the location of the consultations, a general pattern soon emerged of common themes:

- Incomes have fallen and jobs for youth are scarce. Rural households believe that there is potential for returning to previous livelihood levels; but market access, finance, transport costs, and technical advice are more limiting than production potential.
- Dietary imbalances are emerging in some areas as yields of traditional root crops decline under shorter rotational fallows.
- Attempts to increase cash incomes frequently fail due to circumstances beyond household control. For instance, feed concentrate for improved pig production becomes sporadically unavailable or animal health service is unavailable at critical times.
- Logging brings quick money into communities but fouls streams and destroys traditional forest livelihoods. The net impact is usually divisive. There is little evidence of village improvements from logging royalties and management of funds is not transparent.
- Collection and processing facilities for copra and cocoa are urgently needed.
- Women in particular expressed that they could increase incomes substantially if given support.



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# C. Finding new sources of growth and employment in rural areas

14. The quality of growth and its capacity to generate employment and income in particular outside Honiara will be critical for the continuation of peace and stability. The growth performance of the economy before the Tensions was poor. It has been argued that the slow growth that preceded the Tensions may actually have accelerated the crisis. Real GDP failed to grow in the four preceding years. Between 1999 and 2002, the civil conflict resulted in a drastic fall in economic activity. The recovery started in 2003. However, because of rapid population growth, the GDP per capita has not been restored and remains at two-thirds of its late-1990s level. The recent growth pattern also raises questions about the sustainability of current trends.

15. Economic performance has improved largely as a result of the resilience of smallholder agriculture, and fishing and forestry activities. There has been little change in the structure of the economy over the last decade and a half. Agriculture continues to account for over one-third of GDP. Recent growth reflected the recovery from the Tensions period, and has been driven in part by strong copra, cocoa, and fish production; but also, mainly, by unsustainably high levels of logging natural forests. Agriculture, forestry, and fishing accounted for over three-quarters of the total growth in GDP from 1990 to 2005. Forestry accounted for 40 percent and agriculture for approximately 30 percent (Figures I.2 and I.3). The main measured structural change has been an increase in the contribution of forestry at the expense of other services.

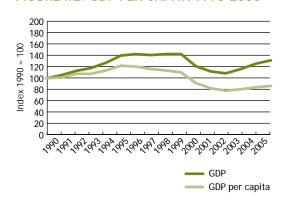
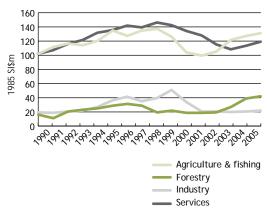


FIGURE I.2. GDP PER CAPITA 1990-2005

## FIGURE I.3. REAL GDP BY SECTOR 1990-2005



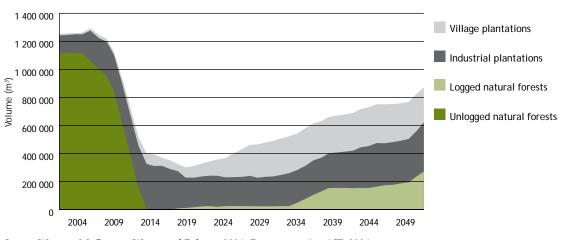
Source: Warner, McGregor, Wore, and Pelomo, 2006. Data source: UNDP 2002; CBSI 2005, 2006.

16. Sources of growth have to be found beyond logging of natural forests. Revenues from log export duties represented about 14 percent of government revenues and two-thirds of total national foreign exchange earnings in 2005. The forestry sector employed an estimated 3,000 to 4,000 workers (about 10 percent of formal employment). Western Province alone generated 68 percent of log exports in 2005. At village level, however, evidence of re-investments of logging revenues in social services or productive activities is generally scarce. Logging is ongoing at approximately 1 million cubic meters per annum, equivalent to four times the sustainable rate. The continuation of that trend means that the resource could be exhausted by 2012 (Figure I.4). The expected drop in forestry sector revenues and associated employment and income loss in rural areas has been well documented. The plantation sector could sustain a yield of

400,000 cubic meters per annum but will not rise above the current production level (90,000 cubic meters per annum) until 2020. Meanwhile, sources of growth, employment, and government revenues will have to be found in other sectors.

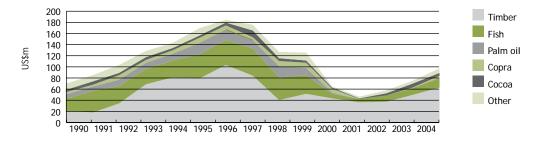
17. There has been limited progress with the diversification of exports, unlike other *Pacific island countries*. This is due in part to high transport costs and limited private sector development. Agricultural exports have mainly relied on three commodities: copra, cocoa and oil palm. Log exports have not compensated for the loss in the value of exports of other agricultural commodities (Figure I.5). 18. The large-scale plantation sector has been particularly affected during the Tensions. Its future expansion will depend on the resolution of sensitive social and land issues, as well as the establishment of a business environment conducive to attract genuine private sector investors. The resumption of oil palm production in Guadalcanal is a positive indicator that solutions can be found.

19. *Private sector investment remains extremely low.* At less than 5 percent of GDP, private sector investment is low, although there are signs of recovery. The private sector has stepped in to provide a number of services (for example, transportation). Private traders have taken up the marketing of agricultural commodities after the collapse of the Commodity Export Marketing Authority (CEMA). The large majority of



#### FIGURE I.4. PROJECTED LOG PRODUCTION TO 2050

Source: Warner, McGregor, Wore, and Pelomo 2006. Data source: AusAID 2006



#### FIGURE I.5. EXPORT VALUES 1990-2004

Source: Warner, McGregor, Wore, and Pelomo, 2006. Data source: ADB, 2005.

CHAPTER I



enterprises in rural Solomon Islands are informal, small, and micro enterprises. A notable exception is the tourism industry, which is to a great extent based in rural areas of the country (53 percent of the rooms booked in 2000). Recent work (ADB, 2005) has identified a broad range of institutional and policy factors that are affecting private sector development.

20. *Improving the quality of growth.* To improve the quality of growth and its impact on rural livelihoods, priorities include identifying and addressing the key constraints that are affecting the diversification and deepening of the rural economy.

#### D. Natural resources: the foundation of rural livelihoods

21. Natural resources are the main assets of rural households and the foundation of their livelihoods. About 2.2 million hectares of natural forest cover approximately 80 percent of the country's land base. Apart from timber, forest contribution to rural livelihoods includes other tree products, such as fiber, firewood, food and medicine; and services, such as shelter, shade, habitat for wildlife, and amelioration of soil fertility. Surveys of rural livelihoods over the past 15 years have consistently showed the importance of fisheries as a safety net for rural households and a source of cash income. And with the exception of difficult natural environments or areas of high population pressure, traditional land ownership arrangements have provided the basis for the resilient, semi-subsistence agriculture sector. Natural resources are also of social and cultural importance for rural households. Improving the management of natural resources would therefore be critical for rural development.

22. Pressure on natural resources is affecting economic growth and contributing to social conflicts. The increased demand for land has resulted in the intensification of land use and reduced returns to agriculture. In areas experiencing high levels

of population pressure, there is evidence of reduced yields and increased pests and disease incidence. Reduced fallow periods have generally accompanied the expansion of land under shifting cultivation. This has resulted in forest clearance, increased soil erosion, and loss of other uses of those forests. The loss in forest cover and value has accelerated through logging of natural forests and clearing for agricultural development. The benefits of the rapid and unsustainable expansion of logging have not accrued equitably to rural communities and there are numerous accounts of its negative social and environmental impacts. And of equal concern, there are indications that coastal fisheries resources are under stress.8

23. The loss of biodiversity and other environmental assets will result in foregone economic opportunities. The Solomon Islands comprises some of the most diverse ecosystems in the world. Biodiversity and environmental conservation however have received little attention except for a few initiatives. Apart from their unique environmental value, the degradation or loss of those ecosystems also translate into direct losses for the economy as they affect rural livelihoods and the potential for tourism development (for example, Marovo lagoon).

24. High susceptibility to natural disasters has to be taken into account in development plans. Because of its geographical location, the Solomon Islands is prone to cyclones, earthquakes, tsunamis and volcanic activity. Vulnerability to natural risks varies among islands. Temotu and Rennell and Bellona Provinces are particularly vulnerable to cyclones, and the reef islands to increasing sea levels or tsunamis. In the absence of a strong capacity to respond to disasters at national level, rural communities have to rely to a great extent on their own resources to manage natural disasters. While the National Disaster Management office is in charge of monitoring those risks and coordinating any emergency response, disaster risk reduction and management need to be

mainstreamed in efforts to rehabilitate local infrastructure and services.

25. *Revisiting natural resources management.* Addressing the issues identified above will require a different response from the past and a genuine focus on more sustainable resources management policies. In particular, traditional resource management systems are under stress due to population pressure or external interventions such as commercial logging or fisheries.

# E. Restoring rural services and infrastructure

26. There is a widely held view in the Solomon Islands that the quality and coverage of rural services and infrastructure has deteriorated over the past decade. Of the 1,500 kilometers of roads in the Solomon Islands, less than 40 kilometers are paved. The road network is sparse, reaching only 23 percent of rural villages. Approximately 25 percent of bridges are in good condition, 30 percent need minor repairs, 37 percent require major repairs, and 8 percent are closed to traffic (ADB, 2005). Only 16 percent of the population has access to electricity. Supply does not extend for more than a few kilometers out of Honiara and other urban centers. Service on most islands and in all rural areas is scarce, except for small-scale generators. Telecommunication services are more widely available, but prices are extremely high (ADB, 2005). While the majority of urban residents have access to safe drinking water and water sanitation, less than half the rural population in rural areas has access to safe drinking water. An equally low proportion of rural people have improved sanitation facilities. Agricultural and fishery extension officers have not been able to carry out their functions for lack of operational resources. When resources are available, quality of services has been an issue. For example agricultural support services have usually overlooked (with a few notable exceptions) the role of women in agriculture, an issue that needs to be addressed. The lack of economic infrastructure not only affects rural livelihoods — through lack of access to markets or social services — but is also a deterrent for the development of the private sector and the diversification of the rural economy.

27. The decrease in public funding for rural development has contributed to this situation. Public funding for agriculture and rural development in 2003/2004 had fallen to less than half the levels of the early 1990s (on a real, per head basis) following the general deterioration of the country's fiscal position. The share of public finance allocated to rural services also declined from an average 15 to 20 percent of the budget in the early 1990s to around 10 percent in 2003/2004 (Sugden, 2006). This decrease was even sharper for provincial government resources, which resulted in significant differences in access to basic services and infrastructure in rural areas. The quality of public expenditures also deteriorated with a smaller workforce concentrated in Honiara and core items, such as operation and maintenance costs in the field, given low priority. These changes further undermined the delivery of rural services.9

28. Most of the decrease in public expenditures has been borne by rural infrastructure – with a share currently below 5 percent of total expenditures. Agriculture and fisheries have declined to approximately 3 percent while forestry has remained at 2 percent of the total budget. Funding for rural services from the provinces is difficult to estimate but appears to be approximately 1 to 2 percent of overall government expenditures (Sugden, 2006).

29. *Resources are available to restore infrastructure and services.* The mediumterm fiscal outlook is positive and indicates that sufficient funds will be available to bear the one-off costs of rebuilding rural services, particularly in view of high donor commitments (75 percent of GDP). However, the rebuilding of rural services need to take into account less secure prospects in the longer term (for example, by





gradually introducing user-fees to sustain future operation and maintenance). Furthermore, current issues affecting rural service delivery go beyond the lack of finances (see Section F, Institutions and resources for rural development).

30. What level of service can be provided based on available resources? Experience in other countries shows that devolving to local (subnational) administration the responsibilities and resources for rural infrastructure and service delivery can reduce costs and improve accountability to local communities. Similar to other countries composed of dispersed islands, service delivery by local institutions is likely to be more cost-effective in the Solomon Islands (Box I.2). There is a need to clarify roles and identify which services are best delivered at the local level (subsidiarity principle). In addition, the devolution of additional functions to local government or communities needs to take into consideration local capacity and to be accompanied by commensurate resources. Careful consideration also needs to be given to fiscal sustainability, in particular the level of recurrent costs that can be afforded and how they would be financed in the medium to long term. This also means that a common understanding is needed regarding what is considered an equitable allocation of public resources at subnational level, based on agreed objective criteria (including population, local cost of service delivery, and capacity for local revenue generation).

31. The approach will have to be tailored to the specific circumstances of each province. Provinces vary in term of their economic potential, their remoteness and access to markets, the capacity of local (provincial) government, and the presence and level of development of the private sector and NGOs. There are also important variations in natural endowments within provinces (for example, the Weather coast of Guadalcanal province compared to the Northern plains; or the outer islands of Malaita province). The response in terms of service delivery needs to be tailored to the specific situation of

#### BOX I.2. LISTENING TO THE PROVINCES: LOCAL GOVERNANCE AND SERVICE DELIVERY

In preparing the ARDS, consultations were conducted with provincial governments and rural communities in the provinces. A summary of themes that were consistently raised during provincial consultations on local governance and service delivery follow:

- There is little support coming from Government to provinces leading to a sense of alienation and neglect. This was not the case in the past but part of a trend over 10–15 years.
- Rural services have deteriorated to the point where, for instance, agricultural and fisheries extension workers are unable to function for want of operating budget.
- Staff seconded from national agencies to the provinces is demoralized and feel abandoned. Housing and conditions are poor, training and technical support is inadequate or nonexistent, and there are no career prospects.
- Roads, water supply, and other basic infrastructure have deteriorated for want of maintenance, which provincial works departments are no longer able to provide.
- Private business representatives pointed out the difficulties of doing business in the provinces where telecommunication costs in Makira province, for example, can be as high as \$3,000/month whereas the same calls would cost only \$300/month in Honiara.
- Local services would be better provided by local government than by national agencies operating out of local government locations, if local government were properly resourced.
- Local government should not be a branch of national government but be accountable to the local people.
- Provincial Secretaries, Assembly Members and other key personnel are frequently not resident in their province for most of the year. This contributes to sense of alienation and should not be allowed.

each province or island. This is better done through development planning that includes local participatory processes.

#### F. Institutions and resources for rural development

32. There are several arguments for increased funding for rural services in the Solomon Islands: (a) the poor level of support to the sector over a long period of time, and the resultant backlog of work (notably for infrastructure development and maintenance); (b) the role that improved rural services play in addressing the needs of the most disadvantaged and providing for a more equitable development path; (c) addressing the root causes of the Tensions; and (d) the need to lower rural production costs. The share of public budget allocated to rural services is also low compared to other countries in the region. For example, it is estimated at 9 percent for 2005 and 8 percent for 2006. In Papua New Guinea and Fiji the share of general government expenditure allocated to rural services is estimated to be 15 percent for 2006 (Sugden, 2006).

33. Public institutions involved in rural development have been deeply affected by the long period of fiscal stress that started in the 1990s. By 2002, total general government expenditure was approximately half the levels of the early 1990s (in real, per head terms). Allocation for agriculture and rural development reached a historical low in 2004 as donor support had shifted away from the productive sectors and toward governance, education, and health. This was followed by a near threefold increase in the 2005 budget. Public budget available for rural development is currently estimated at approximately SI\$200 million (equivalent to US\$30 million). In addition to budget cuts, initial cuts in staffing during the economic and fiscal reforms of the late 1990s were larger than in other departments (or ministries). While overall 1998 cutbacks to the number of civil servants have now been reversed, the approved number of positions in rural sector departments (or ministries) has declined even further (down from 445 to 181 in the Ministry of Agriculture and Livestock (MAL), and from 265 to 145 in the Ministry of Infrastructure Development).

34. The implication is that a mere increase in funding for rural development will not be sufficient. An increase in funding would need to be accompanied by specific efforts to rebuild the institutions and systems to support rural development. In doing so, it is important to recognize that past approaches based heavily on the capacity of the public sector to deliver services have proved unsustainable and have generally crowded out rather than worked with other forms of initiatives, including those by the private sector and civil society.

35. Non-state actors and the private sector have become service providers although their capacity needs to be strengthened. Locally, a number of institutions, including NGOs, churches, communitybased organizations, have compensated this decline in public service delivery in rural areas and stepped-in to provide basic services and infrastructure. The private sector has also, in some areas, contributed to the provision of support services. Specific efforts to increase their capacity to extend beyond the current level of service provision will be needed.

36. Building the capacity of centraland local-level rural institutions will be critical as resources for rural services increase. In the short to medium term, a strategy that builds on existing strengths of formal and informal institutions and develops partnerships between the public sector and service providers (communitybased organizations, NGOs, churches, the private sector) is more likely to provide results than broader institutional reforms, which will require a longer timeframe.

37. There is a demand for greater transparency and equity in public resource allocations. Transparency in the allocation of public funding (from government and





donors), including for rural development, is generally poor in the perception of the rural communities. This contributes to distrust of public institutions. In view of their majority share in development budgets (approximately 65 percent in 2006), donors will have a major responsibility in ensuring that this demand for greater transparency and accountability is met.

38. Development assistance levels are high, however a shift in aid modalities could be considered. Donor assistance, mostly grants, is expected to remain high in the medium term. There is however an unusually high level of resources channeled outside government systems, including an unusually high number of small grant schemes, most of which were designed to respond to the situation in the immediate aftermath of the Tensions. As the country moves toward long-term planning and institutional strengthening, these have raised issues, including bypassing local formal and informal institutions, transparency, accountability to local communities, coordination, and consistency of donor programs, and overall sustainability (Box I.3). There is a risk, if these issues are not addressed, that aid could undermine institution building. In the medium term, a key indicator will be the extent to which support currently provided through these schemes is folded into standard service delivery mechanisms as their quality improves.

# G. The Government's policy response: a focus on local development

39. The Government's rural development policy framework for the period 2006-2009 proposes a comprehensive response to the issues highlighted above and establishes some principles and directions to address them (GCCG, 2006a; 2006b):

• Respond to rural communities demand for greater participation in political and economic development;

#### BOX I.3. LISTENING TO THE PROVINCES: NGOS AND DONOR SUPPORT

Several common perceptions about NGO and donor support were expressed during provincial consultations:

- NGOs, though appreciated, have not been able to provide general support to communities as their presence is scattered and issue-specific in focus.
- Donor projects bypass local institutions; decisionmaking on even the smallest proposal is in Honiara and is not transparent; information is inadequate and only available to the lucky few or by chance; and application processes are too complex for ordinary people.
- Participants frequently mentioned that donor funding focused on donor needs rather than beneficiary needs.
- There is no follow-up technical assistance for donor-supported activities or any information available on how these activities perform to guide applicants. Donors should be open and accountable.
- Non-operating project facilities are scattered throughout the provinces. Worse-performing are rice mills, copra driers, ice-making plants for fisheries, and other items donated to communities. Participants in consultations repeatedly stressed that the culturally appropriate unit is the family and not the community for ownership, operation, and maintenance of these income-generating facilities.
- International donor projects are implemented locally and would have better chance of success if project activities and beneficiaries were selected, managed, and processed with participation of local institutions and included provision for follow-up technical assistance.

- Improve the quality of life in rural areas;
- Initiate broad reforms in natural resource management to ensure that greater benefits accrue to local communities and that the country's natural resources are managed in a more sustainable way.

The Government envisages progress along the following lines:

- Promoting community engagement in national planning and economic development, starting at the local level ("bottom-up" approach);
- Focusing on the productive sector, in particular agriculture, financial services and transportation services in rural areas;
- Strengthening the capacity of provincial governments to deliver services in rural areas; and
- Focusing with regard to natural resources management on more and sustainable benefits accruing to the local economy and resource owners.

Overall, Government envisages putting more resources in the provinces and away from Honiara, as well as strengthening local institutions and management systems to provide the foundation for rural development in the longer term.

40. The Government's policy therefore recognizes the need to progress not only in terms of local economic growth but also in strengthening institutions. Institutions will be responsible for the provision of services and infrastructure for sustaining local economic development. Strong emphasis is also placed on the need for better coordination and harmonization of donor interventions. Government policies recognize that the task ahead is huge and will require a stronger, coordinated, and collaborative effort of all those involved in rural development initiatives. Many of the proposed reforms will actually span beyond a four- to five-year period. In the short to medium term, selectivity will be needed to match resources and capacity. To avoid creating unrealistic expectation,

a closer look at what could be achieved in the short to medium term, within existing resource constraints, and what could be achieved over a longer timeframe is therefore needed. *How can interventions produce initial results in the short to medium term without undermining longer-term development prospects?* 

# H. Phasing support for rural development

41. Rural development will require a sustained and long-term commitment from the Solomon Islands Government and its development partners. A key question concerns phasing of interventions in rural areas. What could be achieved in the short to medium term in view of available resources and capacity, so as to avoid unrealistic expectations?

42. Finding a balance between initial results and sustainable outcomes. Maintaining peace and stability will remain a priority in the short to medium term. To that end, specific attention needs to be given to a more inclusive growth agenda. While growth has resumed (in 2006 GDP growth was estimated at over 5 percent), the economy has not yet responded to the demand for employment and incomegenerating opportunities in the provinces. New sources of growth and employment will have to be found to achieve long-lasting peace. In particular, this would include a focus on moving away from the current, unsustainable growth path toward a growth path that would generate more employment opportunities, including outside Honiara, while addressing the increasing demand for improved governance and rural service delivery.

#### In the short to medium term, specific consideration would need to be given to the following:

- *More efficient use of available resources.* Improving the efficiency of public expenditure in rural development.
- Interventions that minimize the risk of recurrent conflict and promote social cohe-





*sion.* For example, income-generation opportunities for marginalized groups, such as the youth.

- Interventions that can provide initial results by building on existing assets and institutions. Fostering the development of the smallholder agriculture sector and the private sector.
- Building trust in government institutions by improving the local governance framework and building local capacity for service delivery. Interventions that improve the capacity of and linkages between communities, the private sector, local governments and national government.
- *Improving natural resource management at the local level.* With focus on reforms and investments that would increase social and environmental benefits.

#### In the medium- to long-term, early achievements would need to be consolidated through:

- Broader institutional reforms, in the provincial governments' functions and the rural line agencies.
- Consolidating natural resource management reforms at national level.
- Continuing policy and taxation incentives reforms.
- Continued investments in rural infrastructure and services development.
- Strengthening the fiscal base to respond to the increasing demand for services and infrastructure.

Chapter II provides a more detailed review of growth prospects and constraints as a basis for the sequencing and prioritization of rural interventions.

#### FOOTNOTES

- The roots of the Tensions in the Solomon Islands lay in longstanding unresolved issues such as land ownership and control of resources exacerbated by inter-island migrations, in particular to Guadalcanal Province (UN Chronicle, 1999).
- 2. A detailed description of the smallholder agriculture economy is provided in the Smallholder Agriculture Study (AusAID, 2005); and other recent works, like People on the Edge (KGA, 2005).
- 3. The average income in Honiara for Solomon Islanders was SI\$1,443 per month in 1999. In rural areas, the average monthly income was SI\$694. (UNDP, 2002). The Household Income and Expenditure Survey (SISO, 2006) found consumption levels (as a proxy for income) two to three times higher in Honiara compared to rural areas. Gini coefficients, calculated at national level and in the provinces, showed greater inequalities in incomes in the provinces.
- 4. Gibson, Jansen, Pauku, 2006.
- 5. Gibson, Jansen, and Pauku, 2006
- 6. AusAID, 2006b; SISO 2006; Community Support Program (2006)
- 7. Forest Management Project II, May 2006
- 8. National Fisheries Workshop, 2005.
- 9. Rural services in this document include the production-oriented services provided to rural areas excluding social services (health and education). They include shipping and road transport, telecommunications, power supply, water supply and sanitation, extension and research services and regulatory activities provided for agriculture, fisheries and forestry.



# A Focus on Growth in Rural Areas

BUILDING ON THE STRENGTHS OF THE RURAL ECONOMY



#### Building on the strengths of the rural economy

# A. A needed focus on rural growth

43. In the short to medium term, growth will have to come from the rural economy.<sup>10</sup> The country's size, fragmentation, and relative isolation from world markets and the low levels of industrial skills of the workforce make it unlikely that export-oriented manufacturing can be the mainstay of growth in incomes and wellbeing for the rural population. However, the country has potential for a faster shift toward agricultural production for sale in domestic or export markets (and some associated downstream processing) and for the development of tourism. Other sectors (for example, services) would grow in part in response to the demand in those sectors.

44. Realizing the growth potential of the rural economy will require private sector investment-by producers who will adopt new varieties and production technologies, and by traders and processors who will provide information linkages to and from markets and access to products and services from outside the country. A significant part of the growth will come from restoring levels of production achieved in past years; but doing this will require alleviating some of the severe impediments that constrain the interactions of rural Solomon Islanders with markets and reduce returns to investments. While there are structural constraints (for example, geographical), there are also policies that can unnecessarily raise costs. If those are not addressed, there will be limited growth other than activities based on natural resource rent exploitation.

45. Food production for private consumption, while continually important, requires improvements in productivity. Households will only be able to afford to invest in and operate new technologies if they are earning cash. Furthermore, meeting the aspirations for higher living standards will require increasing specialization in money-generating activities.

# B. Growth prospects in key subsectors

46. In the short to medium term, the best prospects for rural growth lay with the resilient smallholder agriculture sector, as well as the development of a broad range of small rural enterprises. The key issue to be addressed is that of access to domestic and international markets, including efficient and competitive marketing channels that will provide fair prices to producers.

47. Strengthening the marketing of traditional products and new market development. Several subsectors have a potential to drive growth in the short to medium term; these include coconut and copra, cocoa, food and fresh fruit, oil palm, and non-farm income-generating activities. More long-term prospects for growth include further development of the cocoa and coconut industries, food and fresh fruit, livestock development, some minor cash crops, oil palm, tourism, forestry, and fishery. These short- to medium-term and long-term prospects are more fully discussed in Annex B.

48. The prospects for the development of rice cultivation for import substitution are uncertain, unless further research is conducted. Over the past decades, the policy response of Government to the large imports of rice (SI\$80 million annually) has been to encourage and subsidize its local production. There have not been any quantitative studies on the economic efficiency of rice production in the Solomon Islands. Recently prepared farm budgets show that the production of rice is financially unattractive for smallholders. Provincial reports from the Smallholder Agriculture Study (AusAID, 2006b) indicate



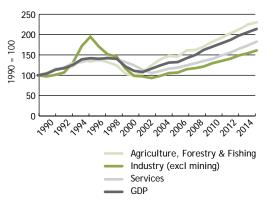


a pattern of low yields, a dependency on subsidized imported inputs and significant pest and disease problems. Suitable agro-economic and socio-economic research on rice production in the Solomon Islands is therefore a priority before further investments are made on extension.

#### A growth scenario for the coming decade: What could be achieved?

49. Building on existing strengths. The rural economy has been based upon the production and marketing of a small number of commodities-food crops and fresh fruit, coconut, cocoa, timber, fish and marine products, oil palm, plus livestock in the past. In the short to medium term, this is expected to continue. The best prospects lie with the consolidation and diversification of existing marketing chains relying on smallholder production, such as food crops and fruit, coconut, and cocoa. The re-establishment of a substantial livestock sector, tourism development, and forest plantation development will take time.

50. *The rural economy could realize higher growth*. A rough growth scenario shows that a trend growth rate of GDP of 5.3 percent represents a realistic scenario in the coming decade assuming that the key constraints are addressed (Figures II.1 and II.2). This scenario also assumes that growth in the primary sector is accompanied by growth in other sectors (Box II.1).<sup>11</sup>



### FIGURE II.1 SECTOR PERFORMANCE UNDER GROWTH SCENARIOS

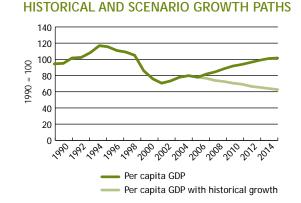


FIGURE II.2. PER CAPITA GDP UNDER

51. In terms of the respective contribution of sub-sectors to growth, it is expected that growth would rely to a great extent upon the development of oil palm in Guadalcanal and to a lesser extent upon the continued growth of food and fresh produce production and marketing, forest plantations, and cocoa; and the development of the fishing sector. There are important risks with the realization of those growth prospects, particularly those related to the heavy dependence upon oil palm development in Guadalcanal.

52. The case of large-scale agricultural *development*. In the past, there has been a bias in agricultural policies in the Solomon Islands in favor of larger-scale plantation development. Their contribution to the rural economy should not be overlooked. However, because of their limited geographical location, large-scale plantations can only provide a partial solution to employment generation in rural areas (Box II.2). In addition, careful consideration has to be given to the social and environmental impact of such developments. Large-scale development projects directly impact land and natural resources ownership and are often dependent upon imported labor and migrant settlers, which played a central role in the recent conflict. A critical element will be the provision of unbiased and reliable information to landowners to enable them to make informed decisions. Recent experience (for example, Aluta basin) indicates that this is doable but can only be envisaged within a longer timeframe.

#### BOX II.1. SCOPE FOR GROWTH: A SCENARIO TO 2015

- *Coconut production.* Smallholder production could reach 45,000 tons per annum by 2015. RIPEL resumes production (for example by leasing plots to landowners) and reaches 7,000 tons per annum by 2015.
- *Cocoa.* Plantings could grow on Makira, and production on Choiseul and Isabel returns to previous levels, provided that traders will reach these provinces and provide nursery and seed garden services. Smallholders could reach 7,000 tons per annum in 2010 and 10,000 in 2015. RIPEL could reach 1,000 tons in 2010.
- *Palm oil*. Guadalcanal Plantations Palm Oil, Ltd., could achieve 69,000 tons per annum from its plantation in 2015, and 9,200 tons from smallholder purchases.
- *Marketed food.* Production responding to demand, productivity growth is achieved, and output grows at twice the population growth rate.
- *Non-marketed food.* Grows at the same rate as population. It is assumed therefore that aggregate food consumption grows faster than population, and labor productivity grows fast enough to allow labor to shift into marketed food production.
- *Livestock*. The cattle herd returns to pre-Tension levels by 2013. Pigs and poultry production is captured in the marketed food sector.
- *Forestry.* Production from natural forests starts to fall in 2008 and is down to a third of current levels in 2015. Industrial plantation output assumed to grow at 10 percent per annum. Village and smallholder plantation output assumed to grow at around 28 percent per annum (Forest Management Project, AusAID).
- *Fishing*. Commercial fishing assumed to reach pre-Tension levels in 2010 and 1991 levels by 2015. Smallholder fishing assumed to grow with population.
- *Tourism*. Visitor arrivals could increase to 16,000 by 2010 (CBSI targets in its 2005 annual report), and growing at 15 percent per annum thereafter.
- *Construction*. To grow with aggregate growth in agriculture, forestry, fishing and tourism.
- *Manufacturing, electricity and water, finance*. To grow with aggregate growth in agriculture, forestry, fishing and tourism.
- *Government.* The growth path for the government sector will be affected by the impact of aid, in terms of funding restructuring and service delivery. There has been some downsizing, but some expansion is needed to deliver basic functions. It is assumed that employment and value added will grow at 0.5 percent per annum until 2010 and by 1 percent per annum thereafter.

53. What investments and reforms would have a greater impact on social stability and equity? Are there trade-offs with a higher growth path? Much of this is about what the public sector can do to foster the development of institutions that facilitate private investment and the commercial contracting that underpins investment, trade, and specialization. This includes the issue of what kinds of investment the public sector itself should be undertaking, and it also concerns ensuring that public sector activity and policies do not depress or distort the pattern of returns to investment.



**CHAPTER II** 



## BOX II.2. THE CASE OF RIPEL: WHY LAND MATTERS

In 2004, workers at RIPEL went on strike shutting down the largest employer in the country. What is unusual about this strike is that the workers own 20 percent of the shares in the firm with another 20 percent held by customary landowners. The Government bought the majority interest in the operation in 1995 as business profitability was falling, with its shares held by CEMA Holdings Limited.

RIPEL was the monopoly exporter of coconut oil. RIPEL was bankrupted by the same world price crash of 1999/2000 that felled CEMA. RIPEL emerged from bankruptcy with restructured ownership. A large part of the labor force is not indigenous to the Russell Islands and an attempt to downsize the number of workers raised the issue of the priority of Russell Islanders to jobs. Many of the striking workers from other islands continue to reside on Pavuvu, using land and reefs considered by local people to be their exclusive customary heritage.

The restructurings of RIPEL ownership have not changed the basic economic problem. The problem appears to be that the corporate model may not be profitable for coconut production in the Solomon Islands. The alternative is the smallholder model where the farm household typically receives a return to their labor well below the wage rate. RIPEL management recognizing the viability problem in paying a daily wage rate introduced piece rates based on individual production and precipitated the strike.

A different business model may be required. One option would be to reorganize the plantation into a nucleus estate with indigenous smallholder out-growers similar to the model being followed by Guadalcanal Plantations Palm Oil, Ltd. This would address both the customary land issue and the labor issue.

### C. Realizing growth: providing the right incentives

54. Is the policy framework conducive to rural growth? It is important to identify policies that may create inefficiencies and cancel gains from rural investments. Because the overwhelming majority of economic activity in rural areas is conducted by the private sector (including small producers and traders), policies that affect the development of the private sector also impede rural development. In addition, rural households and entrepreneurs face more severe constraints than those operating in urban areas in terms of access to and affordability of transportation, telecommunication, energy, and financial services. The Government recognizes the need to address those issues and places emphasis on the continuation of this policy reform agenda. Below are some key policy issues for rural growth:

- Sending the right signals to the right investors. Political stability and law and order are prerequisites for securing growth. The impact on economic performance of the Tensions clearly demonstrated the consequences of prolonged periods of political instability and breakdown in law and order. Similarly, investors' perception of the uncertainty surrounding political stability and the enforcement of law and order will have an impact on both the level and nature of investment in rural areas.
- *Fiscal policy, the exchange rate, and rural growth.* The Central Bank has been successful in counteracting the impacts of declining export commodity prices by containing inflation and exchange rate appreciation. The fiscal policy and exchange rate will determine investors' perceptions of the risks associated with exposure to the economy, thereby the level and nature of investments and the competitiveness of exporting and import substituting rural activities. A specific concern is the potential impact of aid in-

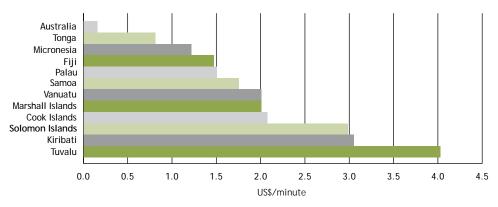
flows on the real exchange rate and the competitiveness of rural exports.

- Quality of rural public finance matters for local economic development. Inadequate delivery of public services in rural areas not only constrains local development but also fueled some of the resentment that lay at the root of the Tensions. Redressing the geographical imbalance in service delivery is an essential element to reduce the instability that erodes the investment and business environment throughout the country.
- Accessible transport and communication infrastructure and services. A central pillar of a rural growth strategy is to restore transport and communication infrastructure and services and to reduce unnecessary policy-induced costs of communication and trade within the country and with international markets (Box II.3). Unless this is addressed, providing rural households with productivity enhancing opportunities is unlikely to have the expected outcome. A review of policies supporting the development of transport and telecommunication services indicates that those actually increase the costs to rural producers and entrepreneurs (Figure II.3).
- *Tax system reforms.* The tax system is perceived to create a number of distortions that impact quite heavily on export activities (PFTAC, 2005). To address those issues, the Government has developed proposals for a comprehen-

#### BOX II.3. REFORMS IN THE TRANSPORT AND COMMUNICATION SECTOR

The National Transport Plan identifies policies affecting inter-island shipping. Anticompetitive inter-island licensing and regulations constrain investments in shipping. Constraints imposed by foreign investments regulations deprived the sector of much needed investments to upgrade the fleet; this would be lifted by the new Foreign Investment Act. Taxation policies impose significant costs on equipment parts for the shipping sector.

International telecommunication (some of the most expensive in the region as illustrated in Figure II.3) and limited coverage increase the isolation of many rural communities. This makes coordination of value chains slow and costly, cost of banking services prohibitive, and access market and technical information difficult for rural households. Internet dial-up services cost five times those in Samoa, further limiting for Solomon Islanders the opportunities offered by new communication technologies. The high costs of communication services are to a fair degree exacerbated by the structure of the industry and its regulatory and contractual arrangements.



#### FIGURE II.3. PEAK TIME COST OF TELEPHONE CALLS TO THE UNITED STATES



Data source: ADB 2005

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sive reform of the tax system. The pursuit of these reforms will provide the opportunity to identify and address those that have the worse impact on rural growth.

- Trade tax and regulation regime. Solomon Islands' system of trade taxes imposes quite heavy burdens on the rural sector. This could be addressed by improving the trade tax and regulation regime. Whereas direct export taxes have been reduced, import taxes are quite high by Pacific and international standards and act as a significant indirect tax on exports. These act as a strong burden on agricultural products targeted at international markets. Furthermore, the granting of exemptions in recent years has contributed to severe distortions in incentives for import substituting and exporting activities.
- Improving business regulations and the legal and regulatory framework. The business regulation system is particularly cumbersome (ADB, 2005). The net effect is to keep many businesses informal, unable to limit risks through liability structures or to enter into formal contracts with other firms or with government. The majority of rural enterprises operate at the household level and they are unlikely to seek formalization. However, many small scale trading activities are subject to business licensing and fees levied by provincial governments where the legal basis for this function is poorly defined. More importantly, rural enterprises depend on larger firms for access to domestic and international markets. Credit offered by traders and input suppliers is often the main interface between producers and the formal financial system. If the regulatory environment impedes the establishment of businesses that provide inputs to and outlets for rural households, rural growth is inhibited. Equally important is the legal and judicial framework that should underpin market transactions and protection of property rights.

55. Addressing the policy and institutional reforms affecting growth will be a long-term process and require the support and involvement of many agencies – and not only the strictly rural-related ones—including for example Finance and Treasury, Central Bank of Solomon Islands, Customs, and Commerce. There are immediate opportunities for progress, including strengthening the integration of the smallholder agriculture sector with markets; rehabilitation of transportation services and infrastructure; providing targeted agricultural support services; and addressing inefficiencies in key value chains. Examples of public interventions likely to provide early results are included in Table II.1.

Area	Public intervention		
Prerequisites	Political stability and law and order. Strengthening governance, rule of law, and enforcement of contracts		
Public expenditure management and economic policies	Improve planning and rural expenditure management. Address policies (taxation, business regulations) affecting private investment. Continue to maintain fiscal discipline, control inflation, and maintain exchange rates.		
Infrastructure and services	Infrastructure and telecommunication improvements (investments in infrastructure and reforms to remove inefficient monopolies). Improve capacity for local service delivery. Reduce public intervention crowding out of private sector credit.		
Productivity and marketing	<ul> <li>Facilitate dissemination of market and technical information through broadcast media, internet.</li> <li><i>Cocoa</i> – support introduction of improved planting material and dryers by the private sector.</li> <li><i>Coconut</i> – support introduction of planting material; provide advice on value adding and diesel replacement options.</li> <li><i>Oil palm</i> – support with out-grower development (e.g., roads).</li> <li><i>Marketed food crops</i> – remove impediments to entry of commercial input suppliers; improve physical market infrastructure.</li> <li><i>Livestock</i> – train veterinarians &amp; remove impediments to entry of commercial input suppliers.</li> </ul>		
Tourism	Deregulate entry into international, domestic air services. Improve skills in the sector and quality of services.		

#### TABLE II.1. PUBLIC INTERVENTIONS TO SUPPORT RURAL GROWTH

### **Footnotes**

- 10 This section draws substantially on the background study on rural growth prospects conducted during the ARDS preparation.
- 11 The full scenario and assumptions are presented in Warner, McGregor, Wore, and Pelomo, 2006.



# A Prioritized Agenda for Action

BUILDING LOCAL FOUNDATIONS FOR RURAL DEVELOPMENT



### Building local foundations for rural development

56. Economic development more evenly spread throughout the country will require addressing the major constraints to rural growth. Achieving more sustainable and inclusive growth will go hand in hand with meeting rural Solomon Islanders aspirations for improved local governance and participation, improved access to basic services and infrastructure, greater incomes and participation in the local economy, and better management of the country's rich natural resource base. This chapter offers priority actions for building local foundations for rural development around the three major aspirations of rural Solomon Islanders:

- *Improved local governance and service delivery*. Responding to the demand for greater participation and for the provision of much needed basic services in rural areas. Rural areas in which there is good local governance and local communities that are involved in key development and resource allocation decisions; where the public sector refocuses on key functions and the provision of an environment conducive to private sector development; and where rural households have better access to basic social and economic services.
- Focus on more inclusive growth. Fostering the development of the agriculture sector on which the majority of Solomon Islander depend for their livelihoods. An agriculture sector that can respond to the demand for greater farm incomes: Farm productivity increases. Households are better able to mitigate and manage risks. Farming develops in different islands of the country according to the differing potential of areas. Improving economic and financial infrastructure and services to meet the needs of the farm and non-farm rural economy and to facilitate adequate development of labor-absorbing activities in other sectors through full- and part-

time off-farm employment opportunities. A policy environment that provides the right incentives and support for investments in the rural economy.

• *Improved natural resource management*: Greater and more sustainable benefits for rural communities and the national economy.

# A. Improving local governance and service delivery

57. In the aftermath of the 1999-2003 Tensions, priority was given to immediate rehabilitation and restoration of basic infrastructure and services that was mostly financed through donor assistance. These interventions were often conducted outside Government systems to ensure rapid results. However, these have raised legitimate concerns about the need to shift emphasis to developing the national institutions and systems which will be responsible for the delivery of key services and infrastructure in the long-term. Experience in other countries recovering from civil conflict points to the need for donors to work with national and sub-national level governments and to the importance of not undermining their authority.

58. *Building the Solomon Islands systems and institutions.* The performance of the public administration in planning and public finance management has been weak. This has adversely affected the delivery of rural services and infrastructure. As resources for rural development are expected to increase, changes will be needed in the way development planning is done, plans and priorities are budgeted for, and services are delivered. Better results can also be expected from improved transparency and efficiency in the use of public resources.





59. There are two main areas in which progress can be made: (a) better public finance management, including planning and budgeting processes; and (b) more efficient and accountable service delivery mechanisms. This section discusses priority actions to improve the delivery of essential social and economic services and infrastructure in rural areas, through greater local participation in development planning, improved public finance management and a clearer role of the public sector in service delivery.

### A.1. Making better use of available resources

60. How could planning and allocation of public resources be improved? The National Economic Recovery, Reform, and Development Plan (NERRDP), 2003-2006, has been the main instrument for national-level planning. However, its ambitious scope meant that it was difficult to implement fully within its timeframe and incomplete integration with budgeting processes has restricted the efficiency of the plan. At provincial level, mechanisms to ensure a coordinated approach to development planning and consistency with budgeting processes remain to be developed. Because rural development requires coordinated policy development and investment planning by several agencies, strengthening planning is an important element to improve the efficiency and consistency of rural development efforts.

61. Strengthening local planning to improve the predictability, efficiency, consistency, and transparency of spending in rural development by Government and its development partners. Consistent with Government's local development focus, starting the planning process at the local level would improve ownership and responsiveness to local needs and priorities while responding to the demand for greater local participation in decisionmaking. Provincial governments have a critical role to play in consolidating public investment plans in the provinces and arbitrating among the priorities of rural communities, based on resources available and national development orientations. Strengthening their capacity (human and financial resources) to perform development planning functions is therefore a priority. Some provinces have already engaged in the preparation of such development plans.

62. Planning needs to be based on predictable budgets and a good understanding of the local economy. Avoid "wish lists." As a key principle, planning should be based on available resources to avoid creating unrealistic expectations – a lesson from past planning exercises. At community (or village) level, experience in other countries as well as in the Solomon Islands indicates that simple development planning processes can be developed and scaled up, building on existing local (including informal) governance structures while strengthening their inclusiveness and accountability to rural communities. Finally, progress with the implementation of development plans needs to be monitored to strengthen "downwards" accountability to rural communities and "upwards" accountability.

### Improving the transparency and efficiency of resource allocation

63. Can resource allocation be more transparent and efficient? Balancing sector shares of public funding is made difficult by the disjointed nature of the budget process which includes the separate preparation of a development and recurrent budget. This situation is exacerbated by the large amount of off-budget expenditures. The minor role of Parliament in managing development expenditure combined with limited external reporting of donor activities results in a large knowledge gap as to how the public sector is spending its funds. Donors provide about 85 percent of the development budget, and 83 percent is off budget (2006 data). Grants to assembly members and off-budget expenditures create a parallel system that tends to undermine efforts to rationalize planning and budgeting. Furthermore, compared to other countries, donor coordination and harmonization in the Solomon Islands rural sector has been weak. There are many examples of inconsistencies of donor-funded programs. Donors have an important responsibility in accelerating progress in those areas.

64. More transparent budget allocations to address widespread perception that the allocation of public resources is unfair. Regarding rural development, a review of allocations by provinces reveals that bigger provinces receive fewer resources on a per capita basis, but lack of data on expenditure targeting and costs of service delivery does not allow further conclusions (Sugden, 2006). It is difficult to achieve an equitable allocation of resources across regions. A consensus needs to be found on how best to assist the least advantaged. In the medium term, current formula for fiscal transfers from the central Government to the provinces should be reviewed and recommendations to improve the transparency and targeting of resources developed.

### Enhancing public finance management capacity

65. The capacity of public agencies to absorb a resource increase may become a constraint. Ongoing efforts to strengthen public finance management systems need to be supported and expanded. Records of spending to budget are generally poor. While limited operational capacity has certainly contributed to difficulties with spending, the extent of the under-spending and substantial annual variations in spending in rural agencies suggests that they have received a low priority in the release of funds and have been accustomed to spending on an opportunistic basis. Rural agencies also point out to difficulties with the procurement processes and their inadequacy at the local level.

66. Continuing efforts to build local systems and capacity for public expenditure management. The shift in donor-financed programs toward more emphasis on building capacity of local institutions is a positive response. Some programs are already focusing on strengthening public finance management systems and complementary programs, both at central and local level, are expected to start in the short to medium term (for example, Financial Management Strengthening Program; Provincial Government Strengthening Program; and Rural Development Program).

67. *Building capacity in the civil service will be a long-process.* The economic and fiscal reforms of the late 1990s included cut-backs in the number of civil servants, particularly in rural development agencies, and resulted in a "top-heavy" workforce that reduced their operational capacity.<sup>12</sup> Furthermore, there is now a cadre of senior workers approaching retirement without a replacement cadre of younger, trained staff put in place. A special focus on the recruitment of managers and strong young professionals to restore the capacity to implement and deliver services is therefore needed.

### A.2. Strengthening service delivery mechanisms in rural areas

68. The Solomon Islands needs to gradually build the institutions with responsibility for service delivery in rural areas, currently almost entirely delivered through donor programs. This will take time. Early results can be achieved by building the capacity of existing institutions, including provincial governments, and strengthening the substantial network of nongovernmental and private sector service providers operating in the provinces. While broader institution-building reforms are undertaken, simple mechanisms can be used in each province to build on existing networks.

69. Provincial governments provide a critical interface between local communities, national government, and donors. One of the main challenges for rural development is to develop a sustainable system for the delivery of basic services and infrastructure with real improvements in quality and accessibility. Government has a key role in the provision of public goods that promote social and economic development (for example, roads) and to





### BOX III.1. PRIORITY ACTIONS: MAKING BETTER USE OF PUBLIC RESOURCES

### In the short to medium term (2011 horizon):

- 1. **Realistic development plans reflecting local priorities:** (a) start the planning process at the local level, with consolidation at provincial level, then at national level. These would have to be simple, tailored to the situation of each province and based on available resource envelopes; (b) local and regular participation in the planning process. This would include monitoring the implementation of local development plans on a yearly basis, so that constraints affecting implementation can be identified and addressed. There could also be mechanisms for revision and adjustment to enable flexibility to respond to changing parameters; and (c) clarifying institutional responsibilities. Provinces to consolidate provincial plans, with technical assistance from MDPAC and MOFT.
- 2. **Improving the efficiency of finance and budgeting systems:** (a) continue to build systems in ministries and in the provinces, (b) addressing weaknesses in budget cycles, including programming in sector agencies, budget release, and procedures for budget execution (e.g. procurement).
- 3. **Improving equity and transparency:** Regular public communication and information about budgets and public expenditures and reviewing formulas for allocation of public resources to sectors and provinces.
- 4. A commitment from donors: to improve the alignment of aid resources with identified priorities and to improve information and to report about donor resources effectively allocated and disbursed (by sector/location).

In the medium to long term (2020 horizon):

- **1.** Consolidating provincial planning capacity and processes based on best practice in the different provinces and scaling-up local (village/community) development planning by consolidating existing processes.
- 2. Implementing improved formulas for resource allocation and targeting.
- **3.** Introducing instruments to strengthen medium-term planning and budget allocation processes, such as medium-term expenditure frameworks or similar instrument to ensure the alignment of public expenditure with policy priorities.
- **4. Integrating the development and recurrent budgets**. All donor projects pass through national and provincial budget processes and be included in development plans
- 5. Reviewing incentives in the civil service to attract and retain qualified staff.

improve equity (for example, health and education). Centralized functions, inadequate funding, and human resource constraints have severely curtailed the capacity of provincial governments to perform their functions. This has left a gap in governance arrangements where communities have no proximate government through which to articulate needs or exact accountability. 70. A legal framework for decentralized planning and financing is already largely in place. In the short-term, there is scope for improvements within the current legal framework by addressing weaknesses in the implementation of the Provincial Government Act. Under the Act, most functions are retained at the Center with some possibility for devolution. The problems affecting provincial governments have been well documented (AusAID 2004;

Holmemo and Watoto, 2006). Within provincial government, there are several areas for improvement:

- There is little or no outreach to communities in rural areas and almost no presence of formal government beyond town boundaries. The link between the provincial government and villages is notionally filled by provincial assembly members (ward members) and has become increasingly politicized.
- Devolved functions are minimal without a service delivery orientation. The devolved functions are poorly defined and not delineated from those of line ministries.
- Development planning and funding remains centralized and provincial development plans when they exist are often not linked with budgets and therefore unrealistic. Participatory planning has been limited.
- Linkages with line agencies are weak.
- Provision of routine local government services and infrastructure maintenance is nominally the responsibility of the provinces, however funding (and staffing) has usually been retained by central Government agencies. Budget formulation is unpredictable and arbitrary.
- Provinces receive grants and raise local revenues, however they are mostly spent on staff and debt servicing from unsuccessful business ventures. The provincial grants are also associated with a range of accountability and transparency issues.
- The effectiveness of donor funding is limited by the implementation capacity of local government and the absence of development plans. Donors have tended to channel funds through non-state actors by default. While this may be suitable as an emergency measure, there are concerns about accountability and sustainability. This has not only resulted in failure to provide and maintain services but has also affected the level, capacity, and morale of pro-

vincial staff, as well as community trust in Government.

71. Linkages between communities and local governments need strengthening. The attempt to link rural communities with provincial governments through Area Councils has not worked. Alternative ways are needed to strengthen those linkages. Experience in other countries indicates that improved mechanisms for development planning that involves local communities and other stakeholders (for example, businesses and entrepreneurs) could lay the foundation for more costeffective, demand-driven provision of infrastructure and services; and support local governance and service effectiveness and sustainability. In the Solomon Islands, there are few examples where communities have been directly involved in the management of public development resources. Experience in other countries suggests more sustainable interventions with approaches whereby communities are given a budget on which to base their development planning and resource allocations. The approach could address service delivery constraints, including in more remote areas, but would need to be tested before it can be scaled up.

72. The local governance framework could be further strengthened by building the capacity of non-state actors. Intermediary organizations (NGOs, churches, among others) often face similar problems as with provincial administration in service delivery and are often overstretched and dependent on the dedication of a few staff. Weak linkages with provincial governments pose problems in terms of development planning, quality of services and infrastructure, maintenance, and sustainability-for example, a school building has been delivered but there are no books or teachers because these items were not in the provincial budget.

73. *There is a strong in-principle argument for out-sourcing delivery.* Funding is available to re-build the capacity of rural agencies; however this gives rise to whether the agencies should return to





their previous position as service providers or alternatively adopt a coordinating and supervisory role with service delivery undertaken by the private sector and other non-state actors. Past experience suggests that it will be difficult to re-build and maintain the required workforce and equipment in the public sector to deliver basic infrastructure and services (transport, telecommunication, water supply and sanitation, agricultural extension, among others). As a general principle, Government should avoid undertaking roles that can be more effectively or efficiently undertaken by the private sector or other non-state actors. Past experience in the Solomon Islands shows that direct government involvement through stateowned enterprises has failed to ensure the provision of reliable and cost-efficient services and utilities. There is also a long-term, financial imperative (uncertain long-term, fiscal prospects).

74. Outsourcing would have to be matched however with capacity outside government agencies. The emerging policy in infrastructure recognizes that outsourcing of infrastructure maintenance and development is preferable to building in-house capacity. Most infrastructure works are to be contracted out. The Ministry of Infrastructure Development (or National Transport Board) will adopt a planning and supervisory role. A similar approach could be adopted in agriculture, forestry, and fishing extension services; but it would have to be selective and based on available capacity outside Government. Monitoring of the logging and fishing industries are contracted out successfully in other Pacific region countries. Engagement with the private sector will also require an environment conducive to private sector development.

75. Financial mechanisms to maintain infrastructure and service need to be gradually introduced. Outsourcing will not substantially reduce costs. The provision of rural development services is more likely to be sustainable if it is possible to move to user-charging systems. While there are limited incentives to move to user-charging systems in the short term, user-charging may be required in the long term. Previous experience (for example, KGA Planting Material Network) indicates that prospects are probably greatest if the system is based on private sector or other non-state actor delivery.

### B. More inclusive growth: Agriculture and beyond

76. In the short to medium term, the agriculture sector will continue to provide the basis for rural growth (including that of activities linked to agriculture), and its performance will therefore determine to a great extent the overall growth performance of the rural economy.

### B.1. Focusing on critical agricultural services

77. As discussed above, there are good opportunities to strengthen and diversify existing value-chains by focusing on what the Solomon Islands producers do best and by facilitating access to new markets. Top-down industry development plans, which have been a common approach in the past, have not proven effective to support the sector.

78. Building the capacity of agriculture sector institutions will be a long-term process. In the short to medium term, agricultural institutions need to address immediate threats to agricultural productivity and growth. These immediate threats include increased pests and disease incidence with intensification of land use; declining soil fertility; and global pandemics, such as avian flu. These agricultural institutions also need to help the sector seize new growth opportunities that could include diffusion of innovative technologies available in the Pacific region and services enabling access to new markets.

#### BOX III.2. PRIORITY ACTIONS: STRENGTHENING RURAL SERVICE DELIVERY MECHANISMS

#### In the short to medium term (2011 horizon):

1. A carefully sequenced program to strengthen provincial governments: (i) first, clarifying for each sector deconcentration/devolution of services and their sequencing (consistent with existing capacity) – i.e. clarifying the roles of provincial governments and their relationships with the communities and the center, based on subsidiary principles (locate functions where they can be most efficiently delivered); (ii) clarifying policies and mechanisms for service delivery; (iii) then, strengthening provincial capacity to deliver mandated services; (iv) establishing mechanisms for coordination with line agencies (e.g. sector boards) and clarifying lines of command and reporting; (v) strengthening good governance practices in provincial governments, the capacity of provincial government for public financial management and administration.

2. Strengthening linkages between communities and provincial governments. (i) require donor programs to work with provincial agencies not be enclaves; (ii) introducing community planning processes as a basis for provincial development planning and testing community-based service delivery. This can be done at village, ward or provincial level, through development committees or other mechanisms; and (iii) reviewing options to improve linkages with communities either through the re-establishment of a lower level administrative level or by relying on existing networks of village and community institutions, depending on the specific situation in each province.

3. Strengthening the capacity of intermediary organizations (NGOs, etc). (i) strengthening collaboration between non-state actors and provincial governments, for example by expanding the work started by DSE on "focal points" in each province; and (ii) building their capacity for monitoring and evaluation of local governance and service delivery reform programs.

4. Switching the focus of public agencies to supervision of service delivery by the private sector where possible. Clarifying sector policies (in agriculture, forestry, etc) as regards outsourcing of key services and continue reforms in support of private sector development.

In the medium to long term (2020 horizon):

1. **Strengthening the resources base for provincial governments**, by improving the design and management of inter-governmental fiscal relations; establishing transparent and reliable mechanisms for the allocation of provincial development funds; and reviewing options to increase provincial government revenue base.

2. Continuing to build the capacity of provincial governments.

3. **Scaling up** community-based development planning and service delivery where more efficient than more centralized approaches.

- 4. Continue reforms and investments in support of private sector development.
- 5. Gradually expanding user-charging systems.

### Strengthening agricultural sector management

79. The past decade has seen major changes in agricultural sector institution and markets, including the end of the marketing monopoly of CEMA after the collapse of its operations in 1999 and the failure of other agricultural state-owned enterprises (for example, Livestock Development Authority). Similar to experience in other countries, direct public sector involvement in production and marketing has not produced good results. Government-owned research and extension facilities have been destroyed during the Tensions. Formal education in agriculture and related subjects is no longer priority;



CHAPTER III



scarce education resources are being directed to basic education. Farm credit to finance the uptake of extension recommendations is generally not available with the collapse of the Development Bank of the Solomon Islands (DBSI) and the failure of many rural credit unions. In the aftermath of the Tensions, however, there have been some positive developments with some private traders stepping in to provide essential inputs and advisory services, despite the difficult environment for private sector development, as well as NGOs and community-based organizations.

80. Strengthening agriculture sector management will be a long process. The Ministry of Agriculture and Livestock is at present a largely ineffective organization, and its management is aware of the need for improving operations and redefining its role as a service-oriented organization. The Ministry has been through several restructures, including a significant retrenchment in late 2005; however the current functions of different divisions remain to be clarified. Effective management mechanisms are lacking. Field operations have with some exceptions (donor projects) been mostly unfunded. Programs and budgets are determined by the availability of donor funding and not guided by a clear sector policy. And, as a high number of staff prepare to retire, little attention has been given to succession planning and recruitment of young, qualified staff.

81. In the short term, the best results would be achieved by focusing on priorities identified locally in the provinces. Rather than embarking upfront on an ambitious reform agenda, a phased approach to rebuilding MAL capacity is likely to produce more results and to build confidence in its capacity to respond to the needs of the sector. The current model (budgets are allocated and programming made in Honiara) has had unsatisfactory results. There has been a lack of consideration for the needs and priorities of different provinces; and field staff operate in a vacuum with an absence of management and guidance and limited means for travel and communication. Initial results could be achieved through targeted capacity building responsive to priority needs identified in the provinces, consistent with the Government's focus on local ("bottom-up") development planning.

82. Partnerships with other associations or institutions operating in the agriculture sector would also contribute to early results. Experience in other countries indicates that better organization of the agriculture sector and collaboration between public institutions (Ministry of Agriculture and Livestock, Ministry of Commerce) and the private sector (including producers) are important to facilitate agricultural growth. Unlike other Pacific region countries, professional agricultural organizations or genuine rural industry associations are under-developed in the Solomon Islands, partly because of heavy public sector involvement in the past. Elsewhere in the region, these associations have been active in promoting innovation and improvements in agricultural value chains. Some associations are starting to emerge in the Solomon Islands, and targeted support would enable them to develop.

83. Strengthening agriculture safeguards systems is an important role of the public sector and an immediate priority. While there is no comprehensive survey of losses due to pest and diseases, available information indicate that they are substantial and increasing with production and trade intensification. Strengthening sanitary and phyto-sanitary services is needed to safeguard local agriculture from externally introduced pests and diseases (for example, cocoa pod borer and Asian bee). In the longer term, those services will ensure compliance with the requirements of new export markets and the diversification of the export base.

#### In the short to medium term, the Ministry of Agriculture and Livestock could be expected to initiate the following:

 Clarify its collaboration with the provinces and how it will respond to priority needs identified in the provinces;

- Establish partnerships with other service providers (private sector, professional associations, NGOs, or regional agricultural bodies) to respond to the needs identified in the provinces;
- Strengthen veterinary, quarantine and plant protection services to provide the needed safeguards to the agriculture sector;
- Identify and support the diffusion of innovation in existing commodity chains, in partnership with the private sector and regional research institutions; and
- Improve human resources management and development and start aligning staffing and skills with core functions.

#### In the long-term, the Ministry of Agriculture and Livestock should aim at having its core functions clearly defined, programmed, and resourced, including:

- Leading the development of the agriculture sector policy and regulatory framework, in consultation with other stakeholders; identifying constraints to agricultural development and addressing them (including lobbying for reforms of other policies – taxation, transport – affecting the sector);
- Regulating agricultural activities through quarantine services; epidemiologic surveillance; environmental regulations; standards enforcement (for example, for chemical inputs); ensuring food safety (for example, meat inspections);
- Supervising the provision of extension, veterinary and plant protection services; and,
- Providing services not provided by the private sector (correcting "market failures"), for example, research and information related to food crops.

#### Facilitating innovation and market development: Partnerships between the public and private sector

84. Agricultural support services need to adjust to changes in the agriculture sector.

With the end of CEMA's marketing monopoly and that of other agricultural stateowned enterprises, access to agricultural markets and market development will rely on the private sector and the organization of efficient value chains. With a few exception (for example, addressing soil fertility issues), advisory services (including the traditional extension system focused on technical messages) need to be seen as one element to improve the efficiency and competitiveness of value-chains.

85. *Recognizing the role of public-private partnerships in strengthening agricultural value chains.* International experience shows that major gains in the efficiency of value chains come from innovations in organization and products generated through cooperation of different stakeholders. Value chains can be used as platforms to identify opportunities for innovation and efficiency and quality gains. Often, those cannot be addressed by individual stakeholders and there is a public goods element that provides a rationale for public support.

86. Agricultural input provision is a key function of the private sector. This function is totally under-developed in the Solomon Islands. As the share of marketed produce increases, the demand for inputs is likely to increase; and the private sector is likely to respond provided general barriers to private sector development are lifted. As regards the public sector, this will mean that a stronger capacity for the regulation of input markets will be needed (for example, setting and enforcing quality standards).

87. What is the scope for market information services? Access to timely, reliable, and relevant market information is important for producer decisions in terms of what to grow and where to sell. However, limited access to transport and telecommunication is a major constraint as well as the capacity of producers to use this information. There is also a lack of reliable data to support agricultural policy development. Public information systems are expensive and opportunities for co-financing by the





private sector remain limited, calling for selectivity in the short term.

88. There is demand for the provision of advisory services. Consultations with villagers confirm this need. International experience indicates that the returns on public investments in agricultural research and extension can be high. A key challenge is to develop a sustainable extension system commensurate with available financial and human resources. It is unlikely that broad national coverage can be achieved in the short to medium term. It will therefore be important for the Ministry of Agriculture and Livestock to define, in consultation with other partners, the focus of a publicly funded extension system. For example, where most farmers grow subsistence crops and are unable to pay for privately provided assistance, there is a need for the state to finance the provision of some farm services on the grounds of food security and equity. The type of service, level of cost recovery, type of provider, and modalities used should depend on characteristics and location of farmers, farming systems, and products.<sup>13</sup>

89. The provision of public extension services has been reduced to a few initiatives largely driven by donor funding. The MAL Extension Division had 116 established staff in 2006. Although the largest division, it received almost no operational budget (SBD 45,000 or 1 percent of MAL operational costs, 2004 figures). There has been a lack of in-service training or further skills development, even in the 1990s when funding was available. Lack of resources, compounded with limited carrier incentives, has translated in poor staff morale; and the more enterprising staff are leaving the service. Nongovernmental and other rural organizations, including churches and rural training centers, and to a limited extent the private sector have stepped in and provided some services; however capacity and coverage remains limited.

90. There are questions about whether Government can afford to maintain the Ministry of Agriculture and Livestock in its present form. Can the Ministry maintain an ample roster of employees at field level and facilities such as housing, training centers and transport, as well as operational budgets (notably for fuel)? Regardless of the type of models used, what services will the state finance? How will the state provide the services? How will the provider be funded and staffed? To whom will services go? What are the specific responsibilities of the Ministry of Agriculture and Livestock and that of the provinces?

91. Has the focus of public extension services been appropriate? In the past, the focus of extension has been on high-input farming systems, which has proven to be irrelevant to the conditions in which most farmers operate (There are numerous reports from farmers about inadequate recommendations, as example, for rice cultivation or pig rearing). Other issues include lack of attention to the needs of specific groups, in particular women; lack of attention to food crops; and a narrow focus on technical production constraints without consideration to marketing aspects-making extension service advice less relevant to producers.

92. In the short to medium term, the Ministry of Agriculture and Livestock could focus on several actions to start building a service-oriented extension system that will also be consistent with the Government's focus on local investments and partnerships:

- Improve skills for extension planning in the provinces, including demand assessments (taking into account the priorities of different groups, in particular women who play a key role on food production and marketing);
- Identify key resource persons and organizations (for example, agricultural staff in provinces; rural training centers; NGOs; private sector) and assess their skills and training needs (service supply);
- Build capacity of resource providers through strategic skills upgrading programs and strengthen existing networks for farmer-to-farmer training, (for example, KGA facilitators, CSP coordina-

tors, Planting Material Network, Young Farmer Project field officers, Oxfam, APHEDA, Solomon Islands Development Trust networks, teachers);

- Make better use of existing facilities at rural training centers, secondary schools, and vocational training centers; and
- Build MAL capacity to monitor the quality of technical advice provided by resource persons and institutions.

93. In the long term, the Ministry of Agriculture and Livestock could consolidate the new strategy—building a cost-efficient, multi-partner, demand-driven extension system—with the following actions:

- Defining strategic priorities for public financing, in collaboration with other organizations involved in agriculture, with a focus on increased production and structural changes in smallholder farming systems;
- Strengthening skills in Ministry of Agriculture and Livestock for extension supervision;
- Continuing to strengthen the capacity of the provinces to plan and deliver extension services, including through different networks of providers;
- Outsourcing of field level functions, and use of low-cost participatory and farmer-to-farmer methods so as to reduce the pressure on the public service; with the Ministry of Agriculture and Livestock retaining functions for which there are economies of scale at national level;
- Continuing to adopt specific approaches/ methodologies to increase participation of women and youth;
- *Identifying opportunities to reduce costs and improve outreach* by combining the delivery of extension services with other services (for example health clinics and forestry extension) and co-financing by the private sector, for specific commodities.

94. What are directions for publicly funded agricultural research? Unlike oth-

er countries in the region, the Solomon Islands does not have a network of agriculture research institutions. Recently, only the Ministry of Agriculture and Livestock and Kastom Gaden Association have had activities in agricultural research, all heavily reliant upon donor funding. Taking into consideration financing and sustainability and past experience, investing heavily in rebuilding research stations and facilities is unlikely to be a viable option. Nonetheless, there are arguments for the restoration of some applied research capacity in the public sector, based on careful prioritization: (a) areas of importance for food security consideration - varietal improvement, soil fertility management, breeding and feeding management – but where the private sector is unlikely to contribute, such as food crops; (b) incentives to retain skilled staff and attract students; and (c) opportunities for involvement in regional research networks.

95. In the short to medium term, the preferred strategy would be to mobilize the knowledge available in other countries to respond to immediate needs. The first step would be to identify research results or products that could be adapted in the Solomon Islands in response to urgent needs expressed in the provinces. In parallel, the Ministry of Agriculture and Livestock would start to re-build core research management skills to ensure quality control and supervision of in-country applied research. Some basic laboratories and facilities could be restored.

96. In the long term, in-country applied research capacity could be gradually built. This capacity building should include carefully selected and focused priority programs to avoid overstretching human and financial resources, which are expected to remain limited. This could include:

 Determining the directions and priorities of publicly financed agricultural research. Similar to other countries, this is best done by consulting key stakeholders – governmental and nongovernmental researchers; private sector specialists; provinces; Ministry of Agriculture and





Livestock; Solomon Islands College of Higher Education; Ministry of Forestry, Environment and Conservation; NGOs, such as Kastom Gaden Association. As a general principle, research activities should be demand driven.

- Building MAL capacity in research and knowledge management, working with partner organizations as a means of learning from research institutions in the region.
- Building networks with other institutions and contracting out priority research programs to other partners based on their capacity and expertise.
- Strengthening the capacity to carry-out on-farm research for cases when testing of successful technologies under local conditions is required; and developing limited on-station capacity, using available facilities (such as Solomon Islands College of Higher Education);

97. Is agricultural education meeting the needs of the sector? In-country agricultural training is currently provided by the network of secondary schools; at technical level through rural training centers; and at tertiary level (undergraduate) through the SICHE School of Natural Resources. There are no in-country institutions for further high-level training of sector specialists and professionals. With a few exceptions, the quality of the curricula and teaching at rural training centers is inadequate. Consequently, few students take this path of study. Similarly, if the SICHE School of Natural Resources is to be maintained, the curriculum needs to be reviewed and made relevant to the sector.

#### 98. Rather than training generalists with little employment prospects, focus more on actions to train technicians and other professionals:

- Improve the relevance of RTC curricula and explore the possibility for some specialization of rural training centers;
- Review the curriculum of the SICHE School of Natural Resources based on a clear vision of what students are trained for;

- Better integrate rural training centers and Solomon Islands College of Higher Education with a strengthened research and extension system;
- Develop short-term adult courses; and
- Support the training of skilled professionals in regional universities, which would encompass building a stronger capacity for MAL policymaking.

99. Priority actions supporting agricultural and rural development through strengthening agricultural support services are summarized in Box III.3.

### B.2. Supporting economic infrastructure and services

100. Improved access to reliable and affordable transport and communication infrastructure and services is necessary for the growth of the rural economy. High transport and communication costs (and indirectly other costs such as high level of product losses due to the unreliability of transport services) are key factors affecting returns to agriculture and other economic activity in rural areas. Limited, unpredictable, and expensive transport and communications means limited access to social services, limited access to input and output markets, and limited access to financial services.

### Economic infrastructure for local economic development

101. The National Transport Plan (NTP) sets strategic directions and priorities for the development of transport infrastructure and services. The directions and priorities are set for short (2007-2011), medium (2012-2016) and long (2017-2026) term. The National Transport Plan proposes a comprehensive set of policy, regulatory, and institutional reforms to address the main issues that affect the transport sector, including through: building capacity, both in the public and private sector; increasing domestic funding capacity; re-

#### BOX III.3. PRIORITY ACTIONS: STRENGTHENING AGRICULTURAL SUPPORT SERVICES

In the short to medium term (2011 horizon):

1. **Responding to priority assistance needs identified locally by each province** for different farming systems, products and markets.

2. **Developing partnerships** with international agricultural bodies, NGOs and the private sector to facilitate the diffusion of agricultural innovation. Building capacity of emerging professionals, professional agricultural associations and other service providers.

3. **The provision of public financing for joint initiatives** of: the private sector and farmers; research institutions and farmers; to improve the efficiency of value chains, in order to encourage those forms of cooperation and innovation.

4. **Strengthening safeguards for the sector** (quarantine, plant protection and veterinary services) so as to reduce risks and losses.

5. **Building a focused applied research capacity** based on selectivity and regional cooperation and partnerships.

6. **Managing agricultural information**, with a focus on (i) low-cost market information systems initially in market places; and (ii) training farmers on the use of market information as part of extension programs.

7. **Starting to upgrade curricula in the agricultural education system** to adjust them to the needs of the sector, and sponsoring the training of professionals in regional universities.

In the medium to long term (2020 horizon):

1. **Clarifying the agricultural policy framework,** to guide agricultural development and match resources with priorities.

2. **Consolidating MAL core functions** and how it interacts with different partners (private sector, provinces, NGOs, regional organizations), building on early partnerships already established. Redefining the roles of the provinces in the agriculture sector within the context of whole-of-government reforms. MAL would develop with concerned ministries (MOFT, MDPAC) a long-term policy for the devolution of those services which are better delivered at the local level.

3. Aligning staffing with core functions and building key missing skills. Extensive skills development is needed, including policy and strategy formulation; agricultural economics; research management; extension systems and methodologies; information management; regulatory aspects; and animal health services.

4. **Consolidating reforms of the extension and research system**, through more strategic definition of priorities for public financing, human resources development, the consolidation of partnerships with other organizations, a strengthened role of the provinces in extension services, the use of cost-effective extension methodologies, and clear policies for outsourcing as appropriate.

5. **Continuing to upgrade the curricula of agricultural education institutions,** including the specialization of some of them.





habilitation of the road network and its maintenance; improvement in the provision of inter-island shipping services; and improvement of air transportation services. In terms of institutional reforms, an important change in the Ministry of Infrastructure Development will be a focus on planning and regulatory functions, with service delivery being outsourced to the private sector and communities.

102. The National Transport Plan places emphasis on improving rural access. Rehabilitation of the rural road network and its expansion is envisaged in areas of high population density and economic activity, and where sea transport is not a viable option (for example, Weather Coast of Guadalcanal Province). In selecting priorities for investment, emphasis has been put on providing access to areas that present an opportunity for further agricultural development by linking them to existing markets and wharfs.14 Investments and maintenance would be financed through a National Transport Fund, with recurrent costs initially provided by Government budget and gradually financed from increased user fees. To maximize the benefits for local communities, the National Transport Plan proposes that labor-based, equipment-supported methods for infrastructure maintenance and minor works be institutionalized by the Ministry of Infrastructure Development and provincial governments.

103. What about inter-island shipping services? The routes to Temotu and Renell and Bellona Provinces are reported to be uneconomical to operate. This is also the situation for a number of smaller outer islands and remote areas of Choiseul, Isabel, and Makira Provinces. Shippers are reluctant to travel to those areas. They are not able to ascertain whether there is a regular volume of cargo to ensure profitability. Rural producers are unsure whether their products will be collected and therefore reluctant to invest further in cash crops. Government's response is to provide financial support (subsidies) for non-commercial services. The feasibility of different options is being assessed.<sup>15</sup>

104. Improving access to affordable telecommunication services. The cost of telecommunication services in Solomon Islands is one of the highest in the Pacific. This is due in part to the structure of the sector. The absence of and high cost of telecommunication services impedes marketing and access to market information for rural producers, and constrains the development of financial services in rural areas. Without access to affordable telecommunications, there is no access to affordable banking services. In May 2006, the only bank agency in Kira Kira, Makira Province, charged SI\$12 to cash a check; most of the charge was the cost of the agency phone call to Honiara to validate the check-as a result, not much demand for the service. There are numerous examples in other countries about the potential benefits of better access to information and communication technology in rural areas.

105. Improvement in the regulatory framework, as proposed by Government, would reduce the costs of telecommunication services in rural areas. And it would pave the way for greater access to information and communication technology outside Honiara and the main urban centers. Expansion of the People First Network (PFnet) to new locations based on demand could also provide a platform for access to a number of social and economic services.<sup>16</sup>

106. The lack of access to reliable sources of energy constrains the diversification of the rural economy. It also makes it difficult for further processing or packaging (for storage or value added) of agricultural products. Experience in other regional countries indicates that opportunities exist through the adoption of renewable energy technologies to address some of the needs in rural areas. Solar energy is one alternative. Another opportunity is the development of the use of coconut oil for the production of bio-fuels and direct substitutes for diesel as a transport fuel in country.

107. *Priorities for investment.* From the perspective of the public sector, decisions have to be made in terms of priorities for

investments. Priorities must take into consideration the share of resources to be allocated to the development of service provision in rural areas (as opposed to meeting the needs of urban areas, particularly in Honiara). Consistent with the Government's focus on rural development, it should be expected that a substantial share of the public budget devoted to improving access to energy sources would be allocated to expansion of service provision, as well as the promotion of renewable sources of energy in rural areas.

108. Priority actions supporting agricultural and rural development through infrastructure are summarized in Box III.4.

### B.3. Paving the way for the expansion of rural finance services

109. Less than 20 percent of Solomon Islanders have access to financial services. These few are mostly among the 15 percent employed in the wage economy and near provincial centers. Honiara and Gizo are the principal commercial bank locations where there is a higher level of monetary activity and relatively lower risks. There is little financial institutional presence in the rest of the country and Rennell and Bellona Province has none. Three com-

BOX III.4. PRIORITY ACTIONS: INFRASTRUCTURE FOR RURAL DEVELOPMENT

In the short to medium term (2011 horizon):

1. **Starting the rehabilitation of the priority transportation infrastructure identified in the NTP.** With clear communication on which works are expected to be completed by when, so that provinces can coordinate with other development investments.

2. **Clarifying the role of the provinces in the implementation of the NTP** and addressing their capacity building needs.

3. **Studying the potential additional benefits** of an improved feeder road/small shipping system linking to the priority investments identified, on a case by case basis.

4. **Clarifying the design of a subsidy scheme for non commercial routes**: the first question is whether a subsidy scheme to shipping services providers is the best way to stimulate transportation services (vs. for example, other forms of incentives) and a priority in terms of public intervention in those areas not served regularly by shipping services; second, if not properly designed, such a scheme could introduce significant distortions in the rural economy; finally, questions as regards the sustainability of such a scheme need to be addressed upfront.

5. Exploring incentives for the development of rural transport services in areas where there is strong local demand.

6. **Reviewing the regulatory framework for telecommunication services** and investing in greater coverage.

7. **Financial schemes** to support the development of renewable energy sources.

In the medium to long term (2020 horizon):

1. **Continuing the rehabilitation of key transportation infrastructure,** while improving coordination with other investments directly supporting rural growth.

2. **Clarifying the overall policy framework** for rural transportation infrastructure maintenance, including the role of rural communities.

3. Continuing reforms of shipping transport services.

Continued investments in rural energy supply.



4.

mercial banks (National Bank of Solomon Islands, ANZ Solomon Islands, Westpac Banking Corporation) and 33 small credit unions are active in the Solomon Islands, with 98 percent of total assets in Honiara. The National Bank of Solomon Islands, National Provident Fund, HCF, and 30 of the surviving credit unions are still facing serious difficulties related to political interference, poor management, unsatisfactory loan appraisal, weak supervision, unsuitable borrowers, and Government defaults on its debt. While there are signs of improvement, the banking sector needs reforms to make further progress.

110. The scarcity of rural financial services is due to a combination of factors. Financial service providers offer little activity in rural areas and perceive agriculture and associated lending activities as high risk, costly, and difficult to manage. Insecurity in rural areas and the absence of competent security firms for cash transport, together with the exclusion of foreign security firms (until recently), have contributed to curtailed bank activity since the Tensions. The scarcity of financial service providers results in low-level mobilization of rural savings for rural investment and shortage of cash for business operations; and imposes high costs on wage earners who frequently have to travel long distances to cash pay checks. Credit unions and microfinance initiatives have had difficulty with sustainability. Similar to experience in other countries, SIG intervention in direct provision of rural financial services has been unsuccessful. Two issues for rural lending are the difficulties in using community-held land as collateral and of financing enterprises on leased land where the ownership of alienated land may be challenged.

111. The move toward the cash economy is now well-established. Rural households are increasingly using informal loans at very high interest rates. The capacity of traditional subsistence systems to provide for needs of community members without access to cash is decreasing under the influence of demographic pressure and the penetration of new ideas, goods, and services. Nevertheless, many rural people in the Solomon Islands are frightened by banks; their financial literacy level is low. Most rural households are more concerned with economic survival than with economic development. Microfinance loans are not appropriate for most of them.

112. Government-backed rural credit programs have failed. Private sector banks have few operations in agriculture and none with smallholders. While the apparent need for rural finance remains high, effective demand is low with resulting high liquidity simply because of the shortage of bankable proposals and eligible customers. Prudent management as in the private banks results in little rural exposure. Weak management as in the DBSI and credit unions results in failure. The published annual reports of the three commercial banks provide clear evidence of the marginal viability of retail banking in the Solomon Islands even with prudent management. A push into rural lending prior to addressing the issue of high operating costs imposed by the telecommunications monopoly and other impediments to business would need to be highly selective. The May 2006 Government Policy Statement for Banks and Other Financial Institutions envisages the continuation of the banking sector reform program. There are some points requiring further clarification, such as the possibility of canceling or restructuring debts to DBSI and other state-owned financial institutions and special concessions to encourage the entry of foreign banks. While these measures have a positive intention, whatever processes are used, to be fully transparent, will need to be chosen with care.

113. Is the Solomon Islands ready for a general rural finance program? The ARDS-conducted provincial consultations confirmed that most households are semisubsistence producers whose main financial requirement is cash for consumption (for example, school fees) rather than investment in production. Incurring unsecured debt without a concomitant rise in income raises risk to unacceptable levels for households, banks, and depositors alike. *What are the alternatives?* 

- *Option 1.* Injection of cash into subsistence households for consumption should not be through debt but through, for example, labor-intensive small infrastructure projects which also provide village links to major roads and jetties.
- *Option 2.* Debt financing should be restricted to commodity production or crops with a strong cash flow, such as cocoa, and where a prior relationship has already been established, such as between traders and growers. Among successful models of rural finance has been that whereby traders obtain secured credit from banks and on-lend to known growers. This reduces transaction costs and risk.
- *Option 3.* Promote confidence in the finance system through offering savings and cash management services. This is the basis of successful small-savers programs at Bank Rakyat Indonesia and Vietnam Bank for Agriculture and Rural Development among others. However, this needs to be approached with caution in the Solomon Islands since there are few viable investment opportunities for the intermediaries to guarantee the safety of the mobilized savings.

A common observation made by respondents during provincial consultations was the bad reputation of defunct credit institutions and distrust of households for those institutions. Cash management services are also difficult to manage. For the time being, Options 1 and 2 seem to have the best chance of success in meeting the cash needs and effective credit demand of the largely subsistence sector. There is also a place for locally managed microfinance where special institutional circumstances permit (for example, the mobile banking pilot of ANZ in Guadalcanal Province). However, a general supply-led rural finance push would seem premature and would soon end with loss of capital. In the short term, solutions therefore mostly lay outside the finance sector.

114. At the CBSI-sponsored National Conference on Revitalizing Rural Finance in the Solomon Islands in April 2005, a broad set of recommendations were made to facilitate the expansion of rural financial services in the medium to long term. The best options to improve access to financial services in rural areas are summarized in Box III.5.

#### BOX III. 5. PRIORITY ACTIONS: FACILITATING ACCESS TO FINANCE IN RURAL AREAS

In the short to medium term (2011 horizon)

1. **Cash management education** for rural households and the expansion of **financial and business education pro-grams** for traders and small to medium enterprises to improve the quality and bankability of their investments.

2. **Labor-based infrastructure projects** as an alternative for cash injection on the local economy.

In the medium to long term (2020 horizon)

1. **Improving the legal framework**. Modernizing the Credit Union Act, the Cooperative Act, the Charitable Act, and the National Provident Fund Act.

2. CBSI to consult with banks about re-establishing the Small Business Guarantee Scheme.

# C. Managing natural resources: Local benefits and sustainable growth

115. Sustainable natural resource management is a central pillar of a rural development strategy for the Solomon Islands. Natural resources are the main assets of rural communities. Beyond growth considerations, policies and decisions with regard to the management of natural resources will have important bearings in terms of the distributional aspect of





growth (income and employment generation, distribution of benefits to resource owners) and in meeting the aspirations of resource owners. Governance issues in the forestry sector continue to be a source of discontent in rural areas and have been affecting local communities' trust in traditional and government institutions.

116. There is a strong relationship between improved natural resource management and future growth prospects. Improved land administration and management has important implications in terms of future growth, for example, through infrastructure development; the resolution of land issues affecting existing plantations; the resolution of inter- and intra-village land disputes limiting further investments in land; and appropriate contractual mechanisms between communities and potential developers. Permanent or semi-permanent migrations to areas where employment opportunities are available have resulted in social conflicts that affect labor mobility. Sustainable management of forest and fisheries resources will be determinants of future growth. Finally, the potential for tourism development depends to a substantial extent on the capacity to preserve the country's environment and rich biodiversity.

117. What could be done differently from the past? Recognizing the importance of sound natural resources management, the Government's policy framework (GCCG, 2006a) proposes an ambitious agenda of reforms of natural resources management, covering land, forestry, and fisheries. However, past records are not good when it comes to reforms in natural resources management in the Solomon Islands. Past attempts have usually met the resistance of strong interests, and limited capacity in public institutions has further limited progress. This section discusses what could be achieved in the short to medium term and what is likely to require a longer-term framework to produce the expected results.

## C.1. A cautious approach to land reforms

118. Land is the only asset held by the majority of people of the Solomon Islands. Without land, their labor is of little value as there are few opportunities for nonfarm work and few have capital. Any actions that alienate, degrade, redistribute, or otherwise impact on land affects livelihoods, identity, and culture. Such actions contributed substantially to the Tensions. While 87 percent of land is under customary tenure, the focus of land administration has historically been on alienated land, which is generally located in the most productive areas with good infrastructure access. Customary land tenure has generally proved efficient to maintain access to land for the majority of rural Solomon Islanders. However, customary land tenure systems are under pressure to adapt to irreversible changes: population pressure; increasing demand for land for public purposes; greater social mobility and migration; and new expectations from the cash economy.

119. How does the state support and facilitate this evolution so as to support economic growth while maintaining land tenure security in villages? In other words, how does the state improve land administration and management systems so that land rights are strengthened, land disputes are settled effectively, land transactions are facilitated, and land can be mobilized for public purposes when needed?

120. *There are conflicting views about giving priority to the land reform agenda.* This is a difficult situation for Government to resolve since there are strongly held opposing views:

- Customary land tenure impedes economic development and reduces the common welfare; versus
- Customary land tenure provides the livelihood and supports the social fabric of the population.

The Smallholder Agriculture Study (AusAID, 2006b) concludes that land tenure and access to land are not major issues for rural households depending on traditional semi-subsistence systems for their livelihoods. In contrast, other sources emphasize that land has been a major source of disputes among and within villages and a key constraint to agricultural production and infrastructure development (CBSI, 2005, for example). There is however common agreement that the inability to address customary land issues promotes insecurity and mistrust among communities and investors alike.

121. The experience in the Solomon Islands is similar to that in other countries in the region. This is also the experience in places where there are large indigenous communities on commonly held land. As elsewhere, customary tenure rights are not well-defined in law, and customary land is effectively treated as a reserve of natural resources able to be captured by non-members of the community. The main land issues are summarized as follows:

- In areas where these is pressure on land development, competing claims as to who represents communities and who is able to negotiate on their behalf in resources deals are frequent, and the risks of elite-capture are high.<sup>17</sup>
- Customary land ownership disputes have clogged the courts. The Local Courts and Customary Land Appeals Courts are inoperative.
- Women have few opportunities to present their views and defend their land rights.
- There is a large backlog in the land registration office, affecting a number of land developments (including for infrastructure).
- Pressure for the return of alienated land to tribal owners (under perpetual estate title) has been mounting. However, the Land Act only recognizes individual ownership of alienated land and not communal ownership by tribes. The procedures for the return of

alienated land need clarification. Conversely, some of the returned alienated land has been left undeveloped.

The current legal and land administration institutions are ill prepared to deal with those issues: the legal framework for land (Land and Titles Act, Customary Land Records Act) needs updating. The Department of Lands administers those to the best of its ability but critically lacks the human and financial resources

122. *New Land Policy.* The Government issued its land policy statement in May 2006. The Government intends to repeal or amend existing laws to make customary land a "bankable commodity" and to introduce reforms to promote economic development on these lands. Tribes would be recognized as corporate entities owning land. The new policy also appears to reverse the provision for returning alienated lands because much of the returned lands have not been put to productive use. The authority to allocate land would be transferred from the Commissioner of Lands to an independent Land Trust Board.

123. Experience in the Solomon Islands and elsewhere calls for a cautious approach to reforms affecting customary land ownership. Some of the relevant lessons are summarized below (Pacific 2020 report, 2006):

- The need for a step-by-step approach because the main constraint is generally the capacity and quality of the land administration services.
- A focus on areas where there is an urgent need for change (including for public purposes) and a real demand for change at the local (village) level; and where the administrative and financial resources are available to support those changes.
- Adapting existing land tenures and piloting those adaptations before moving into broader land reforms and legal changes.
- Only changing land tenure to the extent that is necessary. Retaining customary ownership of land and making provi-





sions for lease for those who want to develop it.

• Land dispute resolution mechanisms that rely on flexible and informal systems focusing on lasting settlements between parties rather than strict legal adjudication.

On that basis, a sequenced approach to land reforms seems appropriate for the Solomon Islands. While the main issues for land reform are well known, more research, public dialogue, and piloting will better inform stakeholders and yield broader results. As described above, the response and pace of change also need to be commensurate with the capacity of the land administration. Rather than imposed from the top down, the pace of change needs to be driven locally where demand exists: such as one example for a short-term action, for finding solutions to unresolved land issues inherited from the period of Tensions, in particular in Guadalcanal Province.

124. Priority actions supporting agricultural and rural development through adaptation of land tenure systems are summarized in Box III.6.

### C.2. Preparing for structural changes in the forestry sector

125. Forests, an integral part of the land owned by rural communities in the Solomon Islands, provide a continuum of diversified benefits (house-building materials, bush meat, nuts and fruits, medicinal plants) that contribute to rural livelihoods and form a critical part of livelihood risk management for over 80 percent of the population. Solomon Islanders depend on over 600 forest products for their subsistence livelihood and are increasingly gaining income from the sale of forest products. Forests are the land bank for shifting cultivation on which subsistence agriculture depends and are central to the traditional social safety net. There are three areas where public action could contribute

#### BOX III.6. PRIORITY ACTIONS: SUPPORTING ADAPTATION OF LAND TENURE SYSTEMS

In the short to medium term (2011 horizon):

1. **Improving capacity for land use planning at the local level**. In particular at village level and provincial level, to respond to increasing demands for land. This includes mechanisms for land management for public purposes (for example, basic infrastructure).

2. Public information, dialogue and research into options to address emerging issues. Increase awareness of landowners about land law and related issues and review lessons from ongoing pilots. Focus on unresolved issues from Tensions.

3. Based on this dialogue and research, identification of priority areas for capacity building in the land administration.

In the medium to long term (2020 horizon):

1. Furthering land policy development and clarifying the legal framework. Clarifying the legislation as regards customary land tenure rights and reviewing the Land Titles Act.

2. Strengthening land administration: Continue to strengthen the Ministry of Lands based on identified priorities. Align resources and staffing with priorities.

3. **Piloting** modalities for the mobilization of customary land, with specific attention to the risk of elite capture and the need for information of local communities.

to growth and rural livelihoods from forests: (a) better control of logging of natural forests; (b) stronger focus on conservation in the short to medium term; and (c) support for the development of plantations, which will produce benefits in the longer term. 126. The status of natural forest resources is rapidly deteriorating. The natural forest resources in the Solomon Islands are being degraded and communities impoverished. The decrease in forest value is much greater than the increase in agricultural production value, royalty share, and the value of other income transfers. The current annual logging rate is over one million cubic meters, at least three times above the sustainable harvesting rate estimated at 300,000 cubic meters per year. Logging of primary forests and harvesting licenses have been issued for nearly 90 percent of forest areas suitable for timber extraction. Choiseul Province has the only large areas remaining of un-logged primary forests. Elsewhere, re-entry logging is degrading species composition and damaging watersheds even further. The most recent forecasts estimated that the accessible natural forest resource will be depleted by 2012.

127. Logging revenues that are of major economic importance for the country could be sustained even beyond the expected drop of revenues in six to nine years. Logging revenues are the largest source of government revenue, averaging 15 percent over the past five years. This is expected to rise in the next few years due to the acceleration of the logging rate but then to fall as resources have been fully exploited. A March 2005 audit report on three commercial logging operations found systemic malpractice leading to major underpayment of royalties. There was evidence of systematic under-reporting log quantities and fob prices received, as well as transfer pricing to conceal real value of the transaction. With proper revenue collection, a reduced harvested quantity would return the same income to Government at lower environmental cost without the need to harvest at unsustainable levels.

128. *The distribution of logging revenues also needs revision and tighter control.* The largest share of the fob price of round log exports (60 percent) goes to the logging contractor. The Government receives 25 percent in duties and taxes. The license-holder and community share the remaining 15 percent. In theory, the license-holder negotiates with the community; but in practice, negotiations are unfair-if they take place at all – and conducted with the often uninformed village elite. The community members are largely excluded from meaningful consultation. Discussions with villagers where loggers are operating quickly reveal that they do not know how much is being received, who operates the bank account, and how the funds are being used. Requirements for transparency and accountability are not enforced. At village level, this practice is promoting regressive income distribution, corruption, and a breakdown of confidence in traditional representation. Logging companies offer local communities few opportunities for skilled work and technology transfer, with foreign workers filling skilled positions. Compensatory community development agreements are usually not honored or commensurate with loss.

129. To address those issues, a Forestry Policy Statement was issued by Government in May 2006. The Policy Statement contains most of the elements of a modern and forward-thinking forest policy, including a moratorium on issuance of new logging licenses (which was issued in August 2006) and mandatory reforestation. Can the policy be enforced to avoid further depletion of the natural resources in the coun*try*? Much of the remaining natural forest is already under license. The 2003 forest policy was sound and contained all the elements of good practice, including taking the long view of forest management and strong support for ecological sustainability. However, the policy remained largely not implemented. The proposed Forests Act of 2004 was drafted to implement policy but was never enacted, despite several efforts. A revised Code of Logging Practice was enacted in 2004 under the existing 1969 Forestry Act to try to better regulate logging, but cannot be enforced due to lack of mandate and capacity to monitor and enforce possible wrongdoing.

130. Weak institutional capacity in particular for enforcement of rules and regulations is the major constraint. Institutions



CHAPTER III



in the forestry sector are characterized by lack of clarity in their responsibilities, inadequacy of funding, inability to effectively prosecute, lack of adequate capacity, and lack of political and legal support. Ministers can and do over-rule decisions by the Commissioner of Forests made in the interests of diligent stewardship. The Forest Resources and Timber Utilization Act, 1969, and the Environment Act have proven ineffective to address environmental issues with forest exploitation. The Forest Resources and Timber Utilization Act does not include logging and road standards despite attempts made to address this deficiency through regulations under the Act. However, the legality of those regulations was challenged in 2006 by the Solomon Forestry Association, which represents the interests of logging companies. Attempts by (Isabel) provincial authorities to bring legal actions to stop granting of excessive logging licenses have not been supported by the courts. For minimizing environmental damage under the Code of Logging Practice, the Division of Environment and Conservation has a staff of only two persons (as of May 2006).18 For monitoring log extraction and exports, the Forestry Division does not have the human resources or adequate budget to even carry out the required 10 percent sample of log shipments. Imprest accounts are commonly left unfunded for months at a time leaving the Forestry Division staff without fuel for monitoring and supervision. At national level, conflict of interest involved in decisions by politicians affecting logging has been accepted as normal, leading to resentment, demoralization of the civil service, and the breakdown of confidence in government and political representation.

131. The forestry sector will need to adapt to decreasing revenues from natural forests and will largely depend on the development in the plantation sector. The outlook for plantations is mixed, not only because of uncertain returns but also because of tenure uncertainty for both households and investors on customary lands regardless of lease agreements. There have been disputes over who is

the actual resource owner. Substantive changes in land-related aspects are not expected in the near future. While there are exogenous factors (principally, the future export prices for wood), the key challenge is to establish sustainable systems to assist smallholder with training and information, planting material, quality control, and access to markets. One approach would be the involvement of existing large-scale commercial operators (private sector) whereby small-scale operators, such as rural households, provide materials to the large-scale commercial operators via linkages with the development of out-grower or similar schemes. There are two plantations operations (Kolombangara Forest Products, Ltd., and Eagon Resources Development, Ltd.) that could potentially play this role, however both were experiencing financial difficulties in 2006.

132. Expansion of smallholder plantations has potential but involves risks. The risks will need to be addressed if the full benefits are to be realized. Smallholder wood lots were estimated to cover approximately 5,400 hectare in 2006. Several considerations will be necessary in supporting the development of smallholder plantations. For one, most of the recent plantings have been in teak. It would therefore seem that replanting other species (in particular with a shorter rotation) would spread the risks for growers and provide an opportunity for earlier income. Another consideration is that of land use planning, in particular where plantations compete with the use of land for agricultural activities and/or where plantations might take place in areas unsuited for planting. The third consideration is that of market access and the need when selecting plantation sites to take into account future marketing constraints. There is a risk that incentives in the form of subsidies on inputs, which are commonly abused, or free seedlings increase planting on inadequate sites due to high marketing costs, insufficient species site suitability trials, or other constraints. Finally, the capacity of the Forestry Department (or any other

institution) to monitor and control invasive species and pests and diseases will remain low in the coming years.

133. Domestic processing for exports is unlikely to be a strategy which will produce substantial additional economic benefits. Domestic processing for exports is currently limited to sawn timber production (with small volumes of 6,000-8,000 cubic meters per year on average). Available studies indicate that, in the Solomon Islands, producing sawn timber for export is not financially viable and is less profitable than log exports.

134. Forest protection and conservation has received a low priority. The Solomon Islands is host to the lowest percentage of terrestrial protected areas in the South Pacific, even the world. There is no legal framework for the establishment of protected areas. Despite being a member of the Convention on Biodiversity and having committed to the establishment of a representative system of protected areas on land by 2010, hardly any progress has been made toward meeting this commitment. This lack of attention to forest resource conservation, beyond environment consideration, results in foregone economic opportunities both at national and local level. Like in other countries in the region, the potential for scaling-up conservation initiatives involving communities and linking them to economic development (for example, through ecotourism) should be explored more proactively.

135. Priority actions supporting agricultural and rural development through structural change in the forestry sector are summarized in Box III.7.

#### BOX III.7. PRIORITY ACTIONS: PREPARING FOR STRUCTURAL CHANGES IN THE FOREST SECTOR

In the short to medium term (2011 horizon):

1. Strengthening monitoring of log exports and price-determination. Monitoring could be outsourced to independent survey contractors (certified) as is being done in Papua New Guinea.

2. Clarifying provincial responsibility in forestry service provision. It is proposed that service provision should be strengthened at the provincial level, while policy, planning, and regulation would be a national level responsibility. Provincial government and the Forest Department need to be properly resourced to meet realistic terms-of-reference. At provincial level, better coordination with agricultural extension services is needed.

3. **Review incentives for** and **design suitable mechanisms** to support smallholder plantations.

4. Scaling-up successful conservation initiatives at the local level.

In the medium to long term (2020 horizon):

1. The development of a legal and institutional framework supportive of sustainable forest management, including updating of the 2004 Forestry Act and its enacting by Parliament, as envisaged in the Government's May 2006 Policy Statement.

2. Focus on institution-building of the provincial forest service as well as the FD within the context of passage of the Forest Act of 2004.

3. Continue support for the development of plantation based on improved mechanisms to mitigate the risks for smallholders.

4. Address gaps in legislation as regards resource conservation.

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### C.3 Marine resources management: Strengthening local and international partnerships

136. Recent work (for example, HIES, 2006) has confirmed previous findings regarding the substantial contribution of marine resources to rural livelihoods particularly in the outer islands. With regard to fisheries, the sector can be divided in two categories: (a) an offshore sector targeting the exploitation of tuna resources for processing at the local factory (Soltai Fishing and Processing) in Noro, Western Province, and the export market; and (b) an inshore (coastal) fishery worked by commercial and subsistence fishermen and women.

137. The important contribution of marine resources to the rural economy has been overlooked. The potential contribution of the fisheries sector, in particular tuna resources, to rural growth was identified in the late 1960s and led to the establishment of Solomon Taiyo, Ltd., in 1973. A base for the national tuna industry, Solomon Taiyo, Ltd., enabled the country to benefit from its fisheries resources through employment generation, contribution to government revenues, and foreign exchange earnings. However, the development of the sector has met with challenges similar to other sectors: difficulties with the enforcement of the legal and regulatory framework, under-resourced Ministry of Fisheries, a difficult environment for private sector investment, and social and environmental issues that have been identified but not addressed. Overall, the potential of the sector to contribute to the local and national economy has not been fully realized.

138. *The development of the national tuna industry was severely affected during the Tensions.* The Solomon Islands exclusive economic zone covers 1.3 million square kilometers. The recommended total allowable catch of around 130,000 metric tons was never reached, except in 1998. At that

time, tuna exports represented 30 percent of total exports value. Before the Tensions, in 1999 the Solomon Islands had the largest domestic-based tuna industry of all the Pacific island countries, both in terms of volume and value. Over 8 percent of total formal employment was in direct tuna fishing and processing. Solomon Taiyo employed 3,000 people including about 800 women in its cannery and its base in Noro generated significant spin-off businesses in consumer retail, wholesale, transport, and hospitality services. Solomon Taiyo alone generated around SI\$10 million in Government revenues in 1999. The sector was then deeply affected during the Tensions. Solomon Taiyo and the other domestic company, Solgreen, closed down their operations. The slump was compounded by a sharp fall in world tuna prices.

139. *Tuna industry rebuilding*. The domestic industry started rebuilding in 2001 after world tuna prices recovered, however the industry has not returned to its late 1990s levels. Soltai Fishing and Processing has been struggling for financial viability.<sup>19</sup> In 2004, fisheries exports totaled SI\$132 million and represented approximately 18 percent of total export value due in part to rising world tuna prices. In 2005, less than 30 fishery businesses were actually operating.

140. An increased contribution of offshore fisheries to the rural economy will require sustained efforts over the long term. The future development of the industry will depend to a great extent on the capacity to improve the business environment for private sector investments - infrastructure development, transparency, and efficiency of administrative processes-and more generally consistent policies to build investors' confidence, the availability of skilled human resources, land availability for shore bases, and a taxation structure conducive to investment. The current taxation system has inhibited fisheries development. Infrequent and expensive freight will remain a constraint.

141. Strategic directions for national tuna industry. A debated issue has been

that of strategic directions for the development of the national tuna industry, in particular the strengthening of existing bases (at Noro and Tulagi) to enable them to become more competitive as opposed to the promotion of the industry development in other provinces (based on equity concerns). From an economic perspective, because of economies of scale for freight and infrastructure costs, it would be a more viable option to consolidate existing shore bases. A second issue for the future of the national tuna industry is that of the financial viability of Soltai. Privatization of some kind (sale or leasing to a private sector operator) seems the only way to address the need for capital investment and overall management; however, this would be constrained by conflicting donor policies. A number of social issues have been associated with the development of the tuna industry. Domestic tuna industries, as well as foreign fleet trans-shipping in Honiara, have generated social problems. While these have been identified and options to address them have been proposed, they remain to be integrated in local development plans.

142. The 1998 Fisheries Act provides the legal framework for the fisheries sector. The Act has been under review since 2004 and needs updating. The Fisheries Act was followed in 2000 by the ratification of a Tuna Management and Development Plan. Most of the Plan and its recommendations however have not moved forward. Recommendations of 2004 review of the Tuna Management and Development Plan remain to be implemented. In particular, the review included the need for harmonization with Western and Central Pacific Fisheries Commission's obligations and community management plans for coastal, reef, and lagoon areas with enforceable regulations to enable community control. The review also emphasized better management of the tuna industry, both for resource conservation and industry development.

143. *Governance and institutional issues.* Quite similar to the management of forest resources, fisheries governance has suffered from a lack of resources, a lack of consultation in decisionmaking, and issues of transparency and accountability. A 2003 audit of the Ministry of Fisheries revealed significant governance issues. Similar to other ministries involved in natural resources management, the Ministry of Fisheries has been under-resourced and under-staffed, which has affected its capacity to conduct core functions. Monitoring, enforcement, and surveillance activities have continued at a base level due to lack of resources. Key skills in resource management, public policy, marine resources economics, and business management have been scarce. Political interference has affected the management of the sector, while heavy dependency on aid has sometimes interfered with decisionmaking (This has been the case, for example, with decisions about the commercial directions of Soltai). More generally, the role that the Government will play in the future remains to be clarified. Improving governance of the fisheries sector will be key to generating more wealth from the sector while meeting its objectives of sustainable resource management.

144. Improving revenues from the sector. Solomon Islands' distant water access fees as a percentage of the market value of the total catch have been among the lowest in the region. According to Forum Fisheries Agency and the Ministry of Fisheries, there would be scope for improved revenues from better negotiations - alternatively the modalities of the licensing system could be reviewed to identify options for improvement. Port and trans-shipping services have been identified as another area for potential revenue increase. Increasing the amount of processing in country has been proposed by Government as another avenue for increased economic benefits. However, this direction would mean addressing the constraints that currently deter private sector investment. It would also mean developing food safety and hygiene standards for export markets, which has proved challenging and would require more investments; and increasing the capacity of the Health Department to





assess compliance with importing countries requirements.

145. Coastal fisheries and marine resourc*es management*. The legal jurisdiction for coastal areas lay with the provincial governments. However, lack of resources has constrained their capacity to carry out those functions while the provisions of the legal framework (Fisheries Act) with regard to community management of coastal resources are being reviewed. While no systematic survey of coastal marine resources has been conducted, there are consistent anecdotal reports that harvesting may be excessive and may need to be decreased. Marine resources are an important source of protein for Solomon Islanders, as well as a source of income. Population growth has increased the pressure on coastal resources. Local fishers, for example, indicate that it is harder to catch tuna than in the past and that they have to go further offshore. Because of its implications for rural livelihoods, improving the management of coastal marine resources is considered to be a priority in the short to medium term.

146. Small-scale fishers have difficulty being viable and competing with the industrial sector. Small-scale, village-based fisheries are often not conducted as a fulltime business. These small businesses have difficulties marketing catches in a cost-effective manner and dealing with safety issues with their small fishing vessels. These issues have limited the development of this subsector. Solomon Islands also has a history of fishery centers in rural areas being established under aid-financed projects, but with a pattern of failure at sustainability beyond the project funding. Options for the commercialization and privatization of those centers are being discussed, however it is likely that most are not viable.

147. *Regional cooperation is given high priority in national fisheries development plans and policies.* Strengthened regional cooperation, for example with Kiribati and the Marshall Islands, in view of the seasonal complementarity in tuna fishing, would

provide avenues for improved resources management and industry development.

148. Priority actions supporting agricultural and rural development through better management of the fisheries resources are summarized in Box III.8.

BOX III.8. PRIORITY ACTIONS: MARINE RESOURCES MANAGEMENT

#### In the short to medium term:

1. Starting to **build capacity** in the Ministry of Fisheries, including at local level;

2. Reviewing the strategy for tuna industry development and **prioritizing recommendations of the Tuna Management and Development Plan Review** for implementation in the short-term;

3. Providing **business development training** for the fisheries sector.

4. **Identifying successful community-based marine resources management** initiatives and building capacity to expand those initiatives.

In the medium to long term:

1. Continuing **governance and insti-tutional reforms** in the sector;

2. Addressing gaps in legal framework for coastal fisheries management and review lessons from communitybased resource management;

3. Continuing to build the capacity of provinces for coastal resources management and **scaling-up** successful community co-management arrangements;

4. **Studying options** for the possible divestment or privatization of Soltai to address capital investment needs;

5. Strengthening regional cooperation on resource management.

#### Footnotes

- 12. The share of positions allocated to field officers and other more junior positions in Ministry of Agriculture and Livestock fell from 53 percent to 34 percent between 1999 and 2006. This is an unusually low share by all standards.
- 13. For example, support to predominantly subsistence root crop growers would probably concentrate on varietal improvements and preservation of soil fertility in shifting cultivation regimes, while support to cash cropping close to markets would focus on the correct use of purchased inputs and marketing.
- 14. These are consistent with the findings of the Smallholder Agriculture Study (AusAID, 2006b).
- 15. In the medium to long term, air transportation could stimulate rural growth, in particular through the improvement of the domestic network by providing access to international markets for fresh produce (marine products) and by facilitating the development of tourism in the outer islands.
- 16. People First Network is a rural networking project that promotes rural development and peace building by enabling affordable and sustainable rural connectivity and facilitating information exchange between stakeholders and communities across the Solomon Islands. It has established a growing rural communications system based on wireless email networking, in the HF band, and deployed with full community ownership.
- 17. For example, negotiations on the Isabel Nickel Mine (St. Jorge) were carried out in Honiara without representation of the women in a matrilineal land system but with community trustees employed by the mining company.
- 18. The recruitment of a few additional staff in the provinces was planned in late 2006.
- Soltai Fisheries and Processing is the State-owned enterprise created after the departure of the Japanese partner involved in Solomon Taiyo.



### CHAPTER IV Implementing the ARDS

FROM STRATEGY TO ACTION



### From strategy to action

149. While the recommendations and priority actions identified in the ARDS would apply across provinces, their implementation in each province would need to be tailored to the specific situation, challenges, and opportunities across provinces (and islands). This section discusses some key considerations in implementing the ARDS in the provinces. This is followed by a discussion of available resources to implement the ARDS in the short to medium term, and proposals to monitor actual progress against stated objectives.

### A. Tailoring implementation in the different provinces

150. The insights of the consultations, field visits, and literature review gives direction for regional considerations in implementing the ARDS. Overall, the Solomon Islands has a small population and a relatively large natural resource base with considerable potential for development. Since the provinces have different resource endowments and are at different stages of development, application of the general strategy will need to take into account the particular circumstances of each province. Nevertheless, the proposed strategy of direct community involvement in planning and implementation, and support to local government and national institutions involved in agriculture and related livelihoods (fishing, forestry, processing) remains valid. Activities to implement the strategy would need to be designed to fit the absorptive capacity and other characteristics of each target province. An important determinant of provincial development will also be the ability of the provinces in the medium to long term to raise their own revenue through non-distortionary taxes, fees, and licenses. Annex C provides examples of priorities identified by rural Solomon Islanders in different provinces. Some individual provinces and areas are discussed below.

151. **Malaita Province** has a relatively large population, a functioning local government, a private sector presence, and good potential for economic growth based on improving and diversifying existing primary industries. The provincial authorities prepared a broad development vision document (September 2006) with participation of communities. If resources and technical assistance are made available on a continuing basis and within a focused strategy, there are good prospects for growth with equity. For Malaita, the main requirement is consistency in approach and resource availability.

152. Rennell and Bellona Province, Temotu Province, and the reef islands have few attributes that can be used as a foundation for development. Their populations are small. Their natural resources are few. Temotu and the reef islands have little land-based resources, and off-shore fishing is not an option for smallholders. Seasonal malnutrition is a growing problem. Rennell and Bellona Province, although small, does have some agricultural potential; but it appears that most of the population is elsewhere (Locally obtained information in mid-2006, indicates that of the registered population some 2,000 are actually residing in the province while 7,000 are elsewhere.) For both provinces, agricultural and related development expectations are modest, and growth in aggregate income will have to depend on remittances and public expenditure from national budgets. Expectations of what can be achieved with local governments in these provinces will also be modest.

153. Within provinces there are also large differences to be accommodated. Northern **Guadacanal Province** has good agricultural potential, particularly for expansion of cocoa, and good access to Honiara



markets. The Weather Coast of the island does not. Rural development in Guadacanal is relatively straight forward with the need for consistent resource availability and approach within the recommended strategy of providing an enabling environment (mainly infrastructure). For the Weather Cost, there is little that can be done to change some of the basic constraints on development, such as excess rainfall and topography. However, since this region has the largest concentration of poor people in the Solomon Islands, public expenditure will need to concentrate more directly on provision of basic services and public goods to improve the quality of life and on basic extension in subsistence production.

154. Central Province has proven agricultural and natural resources potential. A standard approach to rural development is adequate provided the critical land tenure issues are resolved. The strike at RIPEL (Russell Island Plantations) that began June 2004 over a labor dispute is at the heart of the matter a continuation of the dispute over rights to land that precipitated the previous conflict over logging. The standoff is complex: the manager is a minority foreign shareholder and majority ownership is with the workers, the customary landowners, and the Provincial and National Governments. Resolution of the strike is not likely to end the decades-long conflict since Lever Bros. sold the unprofitable estate to the Government. A different form of land use management is required to make the situation tenable and profitable. The obsolete plantation model may be unworkable under any form of corporate or community ownership. However, there are options to give indigenous Russell Islanders more direct involvement in the use of land that they regard as theirs by customary right. There are many examples of how production and productivity in agriculture have soared as a result of change from corporate (or commune) production to household tenure. Coconut oil prices on world markets have more than doubled since RIPEL emerged from bankruptcy (in 2001). The strike not only represents lost income and jobs; but, as infrastructure deteriorates, it is a major discouragement to potential investors and an impediment to provincial development.

155. Choiseul and Isabel Provinces are mountainous with only small pockets of land available for agricultural expansion. Both are facing economic problems with degradation of their natural resource base. Soil fertility is declining under the relentless pressure of shorter crop rotations. Compounding the problem, the land is not suitable for farming due to its slope and from unsustainable logging. The development priority in both provinces is to strengthen provincial government's ability to regulate and control logging. Community consultations confirm that the expected improvements in the quality of village life from investment of royalties have not occurred. This has led to an obvious distrust of government. For development initiatives to succeed, people need to have confidence in the partnering agencies and communities. For this reason, NGOs and church groups are more effective than government agencies and will play a major part in the ARDS application.

156. Application of the strategy in Makira **Province** does not appear to present any particular difficulty. It has an abundance of under-utilized natural resources. The development objective will be to restore rural activity to previous levels and bevond. Infrastructure on the island has been allowed to deteriorate and will be expensive to restore but is warranted by the economic potential. In particular, rebuilding the proven potential of the cattle industry offers scope for growth in income. The facilities at Star Harbour could be reopened, and the CEMA coconut oil pressing plant and equipment sold to the private sector at a clearing price to reinvigorate the industry.

157. The economic potential of **Western Province** presents a favorable setting for application of a consistent and resourced development strategy. It counts among its assets a large population, generally fertile soils, rich marine, forestry, and potential for tourism development. The private sector, NGOs, and church-based agencies are well represented. Unfortunately, as elsewhere, management of logging has degraded the resource base, and left communities worse off than before. Provincial services are poor, and confidence in government low. As with Malaita, there is little reasonable prospect of large foreign or domestic investment in agriculture or related enterprise that will provide a boost to the rural economy. Development will only come through application of a consistent and well-resourced strategy that supports and involves the many smallholders, traders, businesses, and other entities of the Solomon Islands community.

158. A strategy consistent and tailored to *local needs.* The proposed approach, based on development planning at the local level and coordinated through provincial government, is meant to ensure that development plans are consistent across sectors and tailored to local needs. Although recommended in the strategy, the ARDS preparation did not allow for specific local-level development plans. It is expected that the local-level plans will be an immediate next step in the ARDS implementation. Where plans are already in progress or available, implementation could start by the prioritization of yearly investment plans on the basis of available resources.

# B. Matching resources and programs

159. Substantial resources are likely to be available in the short to medium term to implement the core priorities identified in the ARDS. Several initiatives are already underway, addressing some priorities; and other interventions are under preparation. Table IV.1 presents a broad estimate of the resource envelop likely to be available up to 2012 to implement the ARDS recommendations. At the time of the ARDS preparation, more accurate data (on a yearly basis) was not readily available. Most funding for rural development is provided by donors (66 percent in 2006), hence the outlook for funding rests heavily on the prospects for donor support. Retaining the recent increase in Government funding for recurrent costs will also be important to match increased capital investment.

160. As discussed in previous sections, medium- to long-term resources are more difficult to identify. In general, a lower level of external aid can be expected, while emphasis in government would shift on strengthening its fiscal position, including that of local governments. The matrix in Annex A summarizes the priority interventions identified in the ARDS and maps them in more detail against more likely available resources.

## C. Monitoring and evaluation

161. Past experience with development plans and strategies in the Solomon Islands point to the importance of establishing benchmarks and key indicators of progress, simple and easily measurable. These would also be important as part of Governments efforts to improve the efficiency of public expenditure, public information and transparency, and policies and strategies that are result oriented.

162. Key indicators of progress with the implementation of the ARDS are proposed in Table IV.2. They have been kept simple and in small number for easy monitoring while allowing a rapid assessment of progress in key priority areas identified in the ARDS. It is proposed that progress could be reviewed annually at the initiative of the Ministry of Development Planning and Aid Coordination.





### TABLE IV.1. ESTIMATED RESOURCE ENVELOPE (2007-2011)

Area	Resources (SI\$)	Main sources
Public finance management/ economic reforms	60 million	ADB, RAMSI, SIG
Local governance/service delivery	150 million	EU, RAMSI, SIG, UNDP, World Bank,
Rural transport infrastructure	250 million	ADB, AusAID, EU, JICA, NZAID, SIG
Rural energy supply	35 million	SIG, World Bank,
Land administration	40 million	AusAID, SIG
Agriculture support services	105 million	AusAID, EU, NZAID, ROC, SIG, World Bank,
Forestry	100 million	AusAID, EU, SIG
Fisheries	35 million	EU, JICA, NZAID, SIG
Environment / conservation	10 million	GEF
Micro-projects (various)	220 million	AusAID, EU, JICA, ROC, SIG
Estimated total	1,005 million <sup>a</sup>	

<sup>a</sup> Estimated total is equivalent to approximately US\$165 million over a five-year period. Note: For full names of sources refer to *Acronyms and Abbreviations*.

#### TABLE IV.2. KEY INDICATORS FOR THE ARDS

Objective	Indicator
Improved local governance and service delivery	<ul> <li>Increase in resources for rural development, including by sector and by province (actual budgets)</li> <li>Increase in resources of provincial governments (budget and core staffing)</li> <li>Number of provinces with annual development plan funded by budget</li> <li>Number of villages with funded village development plan</li> <li>Access to key infrastructure and services by province (number of households with easy access to markets, roads, clinics, schools, energy, water supply and sanitation, telecommunication)</li> <li>Share of donor resources through government systems</li> </ul>
More inclusive growth	<ul> <li>Rural incomes (baseline2006 households survey)</li> <li>Agricultural productivity (key commodities)</li> <li>Cost of telecommunications in the provinces</li> <li>No. bank loans for rural entrepreneurs and value</li> <li>No. of businesses registered by province</li> </ul>
Sustainable natural resources management	<ul> <li>Coastal areas under local management plans</li> <li>Log export monitoring (percent/target)</li> <li>Tuna catch monitoring (percent/target)</li> </ul>



## Annexes and References



### Annex A. Summary of the Main ARDS Recommendations

*Note:* Items **Bold** and bulleted (•) are proposed new initiatives. Other priority actions are already underway and continuing. To help identify institutions and resource names, refer to *Acronyms and Abbreviations* in main report.

	5-YEAR TIMEFRAME	10-YEAR TIMEFRAME		RESOURCES
IMPROVING LOCAL G	IMPROVING LOCAL GOVERNANCE AND RURAL SERVICE DELIVERY			
1. Making better	Strengthen planning:	Strengthen planning:		
use of available resources.	Prepare and implement initial	- Consolidate provincial planning	PG with technical	SIG
Providing a predictable,	<ul> <li>Strengthen capacity of PGs</li> <li>for marticinatory development</li> </ul>	Processes and capacity. - Review role of 5-year plan and alternative instruments (م م MTFF)	support from MDPAC and	PGSP
efficient, and transnarent	planning.	- Continue to monitor progress with	MOFT	RDP
framework for coordinated public spending on rural development.		local development plans (number of plans developed, quality of planning process, progress with implementation, etc.).	MPGRD	
<b>J</b>	Strengthen public budgeting processes:	Strengthen public budgeting processes:		
	Improve public information on public expenditures (Government	<ul> <li>Implement improved formula for fiscal transfers to PGs.</li> </ul>	MOFT	SIG
	and donors). - Increase budgets for rural	- Rural development budgets to reach regional averages (15 percent).	PG	FMSP/MOG (ongoing)
	development priorities.	- Implement MTEF and integrate	Donors	
	<ul> <li>Keview formulas and criteria for fiscal transfers to PGs and</li> </ul>	recurrent and development pudgets. - Integrate all externally funded		RDP
	start allocating predictable and incremental budgets to PGs.	programs in national and provincial budget processes.		PGSP
	<ul> <li>Donor resources to gradually align with identified priorities in rural development.</li> </ul>	- Public review and evaluation of externally funded initiatives.		
	Improve public finance management:	Improve public finance management:		
	<ul> <li>Identify and address weaknesses</li> </ul>	- Consolidate budget processes.	MOFT	SIG
	and bottlenecks in budget cycles and procedures of key rural sector	<ul> <li>Continue to build capacity in public finance management.</li> </ul>	PG	FMSP
	agencies. - Build capacity for public finance	- Review incentives in public service to attract and retain qualified staff.	Sector	PGSP
	management in PGs and key departments		agencies	

OBJECTIVE	PROPOSED PRIORITY ACTIONS		RESPONSIBLE	AVAILABLE
	5-YEAR TIMEFRAME	10-YEAR TIMEFRAME	INSTITUTION	RESOURCES
2. Improved rural service delivery mechanisms	<ul> <li>Strengthen local governments</li> <li>Clarify deconcentration and devolution of key services/ sectors (consistent w/resources) to PG and establish clear mechanisms for collaboration with line agencies (e.g. sector boards).</li> <li>Rehabilitate PG facilities (offices, communications, etc.) ahead of HR deployments.</li> <li>Start building capacity of PGs in finance management, public administration, planning.</li> <li>Strengthen local coordination of donor-financed programs through PGs.</li> </ul>	<ul> <li>Strengthen local government</li> <li>- Review experience with deconcentration / devolution of services and consolidate deconcentration/decentralization framework.</li> <li>- Continue to strengthen HR in PGs and build capacity in public administration.</li> <li>- Review and consolidate mechanisms for interaction with communities.</li> <li>- Strengthen fiscal base of PGs.</li> </ul>	MPGRD with key sector ministries (MAL, MOFEC, MID, Fisheries) MOFT, MDPAC Donors PG	PGSP SIG Forest Management Program II (ongoing) RDP RDP
	<ul><li>development:</li><li>Pilot community-driven development planning and service delivery</li></ul>	<i>development:</i> - Review pilots including efficiency for local service delivery; adjust and scale-up. - Adjust as needed legal framework for community-based service delivery		
	<ul> <li>Strengthen the capacity of the private sector and NGOs to deliver services:</li> <li>Clarify outsourcing policies for key services/ sectors and collaboration between PGs, NGOs and private sector</li> <li>Survey/assess private sector and NGOs capacity to deliver key services and develop capacity building program(s)</li> </ul>	Strengthen the capacity of the private sector and NGOs to deliver service: - Continue ongoing reforms to support private sector and NGO development & involvement in service delivery	MAL, MOFEC, Fisheries, MID, etc. MOFT, MOC NGO, CBO	RDP SIRIP & ongoing transport projects NZAID program (Fisheries) Other donor programs focusing on NGO-capacity building (ongoing)

OBJECTIVE	PROPOSED PRIORITY ACTIONS		RESPONSIBLE	AVAILABLE
	5-YEAR TIMEFRAME	10-YEAR TIMEFRAME	INSTITUTION	RESOURCES
MORE INCLUSIVE GROW	MORE INCLUSIVE GROWTH: AGRICULTURE AND BEYOND			
3. Policies supportive of rural development:	<ul> <li>Continue to maintain law and order as a prerequisite for growth</li> <li>Continue to contain inflation and exchange rate appreciation to maintain competitiveness of rural exports</li> <li>Continue the ongoing review of taxation policies especially as they impact on export activities &amp; improve the trade tax and regulation regime</li> <li>Continue to improve the business regulation system to encourage rural enterprises development</li> </ul>	<ul> <li>Continue to maintain law and order as a prerequisite for growth</li> <li>Ensure consistent policy directions in areas important for investors (e.g. land policies; taxation policies; etc.)</li> <li>Continue to contain inflation and exchange rate appreciation to maintain competitiveness of rural exports</li> <li>Continue the ongoing review of taxation policies especially as they impact on export activities</li> <li>Continue to improve the business regulation system to encourage rural enterprises</li> </ul>	Commerce MOFT/ Economic Reform Unit Customs	SIG ADB program (ongoing) RAMSI/MOG (ongoing)
4. Focused agricultural support services:	<ul> <li>Strengthen agriculture sector management:</li> <li>MAL to focus on priority assistance needs identified by the provinces</li> <li>Establishment of partnerships with international agricultural bodies, NGOs and the private sector</li> <li>Strengthening of quarantine, plant protection</li> </ul>	<ul> <li>Strengthen agriculture sector management:</li> <li>Clarify the agricultural policy framework and align human and budget resources</li> <li>Clarify MAL core functions and consolidate key partnerships</li> <li>Consolidate role and functions of the provinces in agricultural service delivery</li> </ul>	MAL PGs NGO & professional associations	TSAP, TARDP (ongoing) RDP
	<ul> <li>and veterinary services</li> <li>Start building critical missing skills in DAL and the provinces.</li> </ul>	<ul> <li>Continue to build core skills and align staffing with core functions</li> <li>Expand market information systems</li> </ul>	Regional agricultural bodies	Regional programs (e.g. FAO, SPC)

OBJECTIVE	PROPOSED PRIORITY ACTIONS		RESPONSIBLE	AVAILABLE
	5-YEAR TIMEFRAME	10-YEAR TIMEFRAME		RESOURCES
	Facilitate diffusion and adoption of innovation:	Facilitate diffusion and adoption of innovation:		
	Survey key-resource persons and institutions & capacity building needs as	- Consolidate collaborative mechanism of DAL and other stakeholders to define strategic	MAL	SIG
	<ul> <li>Identify priority agricultural research</li> <li>needs and relevant (existing) research</li> </ul>	priorities for public research and extension services; - Continue to build skills in research and	Private sector	TSAP; TARDP
	results/programs; engage with relevant institutions	extension; - Continue to strengthen networks of extension	NGO	RDP
	<ul> <li>Start rebuilding basic research racilities and skills</li> </ul>	services proviaers; - Review cost-effectiveness of service delivery	RTC/	Private sector
	<ul> <li>Pilot grant scheme to encourage public- private partnerships to disseminate innovation (focus on available</li> </ul>	and options to further reduce costs (e.g. joint with other support services; co-financing by the private sector for specific commodities; etc.)	Еиисанон	Regional programs
	technologies and key products- biofuels; improved cocoa varieties; improved food crops/fruit varieties; etc.)	- Build capacity for on-farm research and some on-station capacity. Consolidate mublic-private partnerships along		)
		value-chains.		
	Strengthen agricultural sector skills:	Strengthen agricultural sector skills:		
	<ul> <li>Review and upgrade agriculture curricula of RTCs. secondary schools and SICHE School of</li> </ul>	<ul> <li>Consolidate long-term strategy for agricultural skills development (incl. skills</li> </ul>	Education	SIG TVET
	Natural Resources based on market needs	needs assessments; specialization of RTCs;	MAL	(ongoing)
	Better integrate agricultural training     facilities with recearch and extension	etc.); _ Continue recurler treining of shilled		Vocational
	programs	Professionals in regional universities	MOFCE	study (several
	Develop short-term adult courses at			donors) On accine a PTC
	existing schools and centers			Dugoing KIC program (EU)
				SICHE support
	agricultural economics and policy)			program (EU) NZAID.
				AusAID scholarships (?)

OBJECTIVE	PROPOSED PRIORITY ACTIONS		RESPONSIBLE	AVAILABLE
	5-YEAR TIMEFRAME	10-YEAR TIMEFRAME	- INSTITUTION	RESOURCES
5. Improved access to rural infrastructure services	<ul> <li>Rural transportation upgrades:</li> <li>Continue rural transport infrastructure rehabilitation (NTP)</li> <li>Clarify the role of PG</li> <li>Assess on a case by case basis rationale for public support to rural transport services</li> <li>Upgrade/expand feeder roads as needed</li> <li>Review incentives and policies affecting shipping services</li> </ul>	Rural transportation upgrades: - Continue implementation of NTP - Expand local revenue collection for infrastructure maintenance - Identify further barriers to rural transportation services development transportation services development - Continue reforms of policy and regulatory environment for shipping services - Continue to address policy/taxation disincentives to private sector investments in shipping services	MID PG Private sector	National Transport Fund SIG JICA (ongoing) ROC (ongoing) CSP RDP ADB (ongoing) Private sector
	<ul> <li>Better access to telecommunications:</li> <li>Review regulation of the sector</li> <li>Expand rural access to ICT (e.g. PFnet)</li> </ul>	Better access to telecommunications - Continue support for private sector investments in rural ICT services	Telecommunication PG	UNDP Reg ICT program (World Bank) <b>RDP</b> Private sector
	<i>Rural energy supply:</i> - Facilitate access to finance for adoption of solar and other renewable energy sources (e.g. bio-fuels production and use) - Expand grid in rural areas	<i>Rural energy supply:</i> - Review progress with expansion of rural access and adjust strategy as needed	Energy, MAL Private sector SIEA PG	SIG Energy Project RDP Private sector JICA
6. Paving the way for the development of rural finance services	<ul> <li>Expand cash management education for rural households and financial and business education for rural small and medium enterprises</li> <li>Labor-based equipment-supported infrastructure rehabilitation and maintenance programs</li> </ul>	<ul> <li>Review legal and regulatory framework for finance sector</li> <li>Continue to address governance issues affecting the finance sector</li> </ul>	Education Banks MOFT CBSI DOL/PG	UNDP NZAID <b>SIRIP</b> , CSP <b>RDP</b> Banks

OBJECTIVE	PROPOSED PRIORITY ACTIONS		RESPONSIBI F	AVAILABLE
	5-YEAR TIMEFRAME	10-YEAR TIMEFRAME	INSTITUTION	RESOURCES
MANAGING NATURAL F	MANAGING NATURAL RESOURCES: LOCAL BENEFITS AND SUSTAINABLE GROWTH	BLE GROWTH		
7. Supporting the adaptation of land tenure systems:	<ul> <li>Continue public dialogue and research on land issues</li> <li>Focus on capacity for land use planning at the local level, including for public purposes</li> <li>Identify priority areas for capacity building in MOLS</li> </ul>	<ul> <li>Continue to strengthen MOLS and land administration</li> <li>Pilot customary land tenure registration (or alternative option)</li> <li>Continue to strengthen land policy and legal framework</li> </ul>	MOLS MAL MOFCE MID PG	SIG SIISLAP (SIISLAP II)
8. Preparing for structural changes in the forest sector:	<ul> <li>Strengthen monitoring of log exports and price-determination</li> <li>Clarify roles of the forestry services including at the local level</li> <li>Review approach to smallholder plantations promotion &amp; coordination with other extension services</li> <li>Scale-up successful conservation initiatives at local level</li> </ul>	<ul> <li>Expand institution building and governance efforts in the sector</li> <li>Continue improvement to legal and regulatory framework</li> <li>Implement improved support services for smallholder plantations</li> <li>Address gaps in legislation on resource conservation</li> </ul>	MOFCE MOFT PG NGO	SIG Forest Management Plan II EU Forestry Program
9. Fisheries resources management: Local and international partnerships	<ul> <li>Prioritize and implement recommendations from Tuna Management and Development Plan review, e.g. options to improve licensing system</li> <li>Review experience with pilot initiatives with coastal fisheries management</li> <li>Start building focused capacity in Ministry of Fisheries</li> <li>Provide business training to private sector</li> </ul>	<ul> <li>Continue institution and governance strengthening in the sector</li> <li>Scale-up successful co-management experiences</li> <li>Strengthen regional cooperation</li> <li>Continue to address systematic constraints to private sector investment in fisheries and study options for possible privatization of Soltai</li> </ul>	Fisheries PG NGO	SIG NZAID program JICA program FFA, SPC GEF regional initiatives (ongoing)

### Annex B. Subsector Growth Prospects

#### Rural growth: The short- to medium-term prospects

Coconut and copra. Coconut products continue to be of fundamental importance to the Solomon Islands rural economy. Over the past 15 years, the sector has moved from parastatal monopoly marketing arrangements (through CEMA) to deregulated private sector marketing. With returns for growers small, the future of the sector will to a great extent depend on opportunities for better returns. In the near future, it is possible to see expanded coconut production targeting four main markets: coconuts for food, copra for export, production for edible and non-edible oils for domestic and export markets and for the production of bio-fuels and direct substitutes for diesel as a transport fuel; there is also a small but growing market for timber products. Therefore, realizing the growth potential of the coconut industry will mostly depend upon improvements in marketing and inter-island shipping, as well as support for private sector investments in processing and marketing for new products with a potential for market development.

Cocoa. There are good prospects for further development of cocoa, based on concerted initiatives building on the involvement of farmers, the private sector and DAL. Cocoa is grown in all provinces except Rennell and Bellona and the cocoa industry is almost entirely smallholder based. Production is recovering from the collapse of marketing systems during the Tensions. The prospects for continued strong cocoa prices to 2010 are good (International Cocoa and Coffee Organization). Although yields are lower than in other countries, smallholders should receive a relatively good return for their labor (Warner, McGregor, Wore, and Pelomo, 2006). While there appears to be little prospects to add value through the manufacture of cocoa products, there is scope for increased grower returns by improving quality (which has deteriorated) and productivity (which is generally lower than in other countries in the Pacific region) through the adoption of technologies already available in the region.

Food and fresh fruit. Recent work<sup>1</sup> indicates that the contribution of food crops and fruit to the economy has generally been overlooked. With increasing pressure on land in many areas, expanding food crops production will be a challenge which, if not addressed, might result in increasing food imports. In the short- to medium-term, due to the country's fruit fly status, the best prospects for food and fresh fruit will be in domestic markets, particularly in Honiara, but also in smaller urban areas, in some rural locations and in tourism sites. The traditional staples, particularly root crops including cassava, sweet potato, taro and yam, have a great market potential, as do off-season pineapples, exotic fruit, bulb onions and temperate vegetables. Support to increased marketing and trade of food and fresh fruit therefore has a strong potential to produce early results both in terms of rural growth and food security

**Oil Palm.** The expansion of production in Guadalcanal will be a critical driver of growth. Prospects for international demand and prices remain good in the medium term. In the short-term, pursuit of arrangements by Guadalcanal Plantations Palm Oil, Ltd., under a nucleus estate model to bring smallholders on customary land into the oil palm industry represents the major prospect for the industry. In terms of public investments, there may be scope to facilitate smallholder participation, in association with the required road infrastructure development

**Other non-farm income generating activities**. The potential future contribution of those activities to the rural economy is likely to grow with overall agricultural and private sector investment in rural areas. Available surveys indicate that agricultural traders and village trade stores currently dominate those activities.

# Rural growth: The longer term prospects

Further development of the cocoa and coconut industries, building on improvements in marketing channels and new market development. The sale of the unused CEMA assets to the private sector would contribute to revitalizing the smallholder coconut industry. The introduction of certification schemes would also open access to new, remunerative markets.

**Food and fresh fruit.** These have been driving agricultural growth and could continue to make a substantial contribution provided adequate support is provided to address emerging issues (phyto-sanitary, soil fertility, etc). In the longer term, experience in other Pacific countries indicates that exports to high-value markets are achievable once quality, logistical and phyto-sanitary constraints have been removed.

Livestock development. The Solomon Islands is a substantial importer of livestock products and domestic production could grow. The demand for livestock products is expected to rise with incomes and will result in further imports, unless the constraints affecting the recovery of the sector are addressed. Intensification of livestock production and introduction of animals with faster growth characteristics will depend on reliable supplies of inputs, including feeds and veterinary products, as well as the availability of veterinary services and appropriate advisory services (extension services, with a few exceptions, have also focused on high input production systems and more attention to lower-cost feed based on local materials is needed). As with other agricultural activities, improvement in transport infrastructure is needed to enable enterprises to supply these services to smallholders.

**Other (minor) cash crops.** There is a potential for the development of high-value niche products (for example, indigenous nuts); however, to be sustainable, this would have to be developed and realized by the private sector rather than with the selective assistance of Government and donors.

**Oil palm.** Regarding the development of oil palm in new locations, three key considerations will be: (i) suitable private sector investors; (ii) avoiding planting oil palm in unsuitable locations, i.e. where the local community is able and willing to make it available for oil palm production and where there is an adequate available workforce, preferably without undue inmigration - which can create social problems in the longer term; and (iii) fair and workable schemes for the mobilization of customary land and establishment of outgrower schemes. Where these conditions cannot be secured, there would be a high risk of subsequent social pressures. Overall, those developments will take time and results could only take place in the medium- to long-term.

Tourism. Tourism represented 3 percent of GDP in 2002. A solid basis has already been established in some areas, for example in Western province, and could be consolidated. Tourism development would provide local outputs for rural producers; encourage infrastructure development; create local employment; and encourage the conservation of natural and cultural assets. Tourism development will require: (i) improving image in target markets; (ii) transport services and infrastructure improvement, including in international air links (reduction of their costs) and in the reliability of inter-islands air services and their costs; (iii) awareness of the relationship between the environment and successful tourism development; and (iv) upgraded skills in the sector.

**Forestry.** Estimates concur that logging of natural forests will, if current harvesting levels continue, exhaust commercially viable stands by around 2012. Attempts to promote more sustainable forest management practices have met little success, as demonstrated with the failure to pass the 2004 Forestry Bill. The long-term market prospects for export of timber remain strong with projected increases in the real prices of logs and sawn timber. The future contribution of the forestry sector to rural growth will depend on: (a) whether more sustainable practices will be adopted; and (b) industrial and smallholder plantations, provided technical and marketing constraints are addressed.

What are the prospects for plantation *forestry?* The prospects will be with large scale commercial plantation forestry as well as small scale plantation activities particularly in the production of high value species, notably teak and mahogany. There is, with the exception of high population density areas, land available for plantations. As regards commercial plantation, key factors will be the ability to address land tenure issues and the financial viability of plantations (including existing ones). At village level, no analysis has been made yet of returns to smallholder as compared to other agricultural uses of the land. Plantations are likely to benefit groups with good access to land and excess labor and unlikely to include the poorest households. While there are exogenous factors which will determine the viability of village plantations (principally the future export prices for timber), the key challenge is to establish sustainable systems to assist smallholders with training and information, planting material, quality control and access to markets.

Fisheries. The fisheries industry can be divided into (i) an offshore sector targeting the exploitation of tuna resources for processing in Noro (Western province) and the export market and (ii) an inshore (coastal) fishery worked by commercial and subsistence fishers. Future growth of offshore fisheries will depend to a large extent on progress in addressing constraints to private sector investment. The Solomon Islands exclusive economic zone is home to one of the largest tuna resources in the world. Offshore fisheries could potentially make a greater contribution to formal employment, incomes, government revenues and export earnings. However, the country's take continues to fall short of the total allowable catch established by the Forum Fisheries Agency. Much of the offshore operation is undertaken by foreign operations operating under license to the government. There are also concerns about the long-term viability of small cannery operations like Soiltai, unless private sector investments can substitute for recurrent injection of grant aid by donors. Investments will be needed, in particular, to meet food safety requirements of export markets. Finally, in the longer-term, the prospects will also depend upon regional cooperation over resource management to avoid over-harvesting.

The most important issue for the development of coastal fishing is to establish sustainable management systems. Coastal fisheries have the potential to provide valuable income-generating opportunities for many communities for whom cash incomes are limited. They also provide wider contributions to food security. Conversely, degradation of coastal marine resources could potentially have a severe impact on food security and incomes of many communities with few other economic alternatives. Regulatory action by Government does not have the capacity to respond to localized over-fishing in areas of population pressure. There is a need for more research on the role of protected areas and customary resource management regimes to support improved strategies for managing coastal fisheries.

#### **Footnotes**

1. AusAID, 2006b; Gibson, Jansen, and Pauku, 2006; HIES, 2006.

## Annex C. Priorities Identified by Rural Solomon Islanders in the Provinces

PROVINCE/ AREA	LOCAL GOVERNANCE/ SERVICE DELIVERY	FARM SUPPORT SERVICES	INFRASTRUCTURE AND OTHER ECONOMIC SERVICES	NATURAL RESOURCES MANAGEMENT
Central	<ul> <li>Fill vacant positions</li> <li>(e.g., planning officer) and provide training, housing and operating budget to staff</li> <li>Improve access to information on programs, no bypassing provincial government; clarify roles.</li> <li>Provide resources for rural development</li> </ul>	<ul> <li>Re-establish efficient marketing networks (using radio, etc.)</li> <li>Re-establish extension system (nothing at the moment)</li> <li>RIPEL to be reopened</li> </ul>	<ul> <li>Build roads, wharves, and transportation to Tulagi</li> <li>Provide access to finance services for farmers</li> </ul>	<ul> <li>Improve local marine and forest resources</li> <li>Stop land resources from being wasted (RIPEL)</li> </ul>
Choiseul	<ul> <li>Station officers outside Taro for easier access by rural communities</li> <li>Improve the performance of the provincial government</li> </ul>	<ul> <li>Strengthen technical and market services using the network of local organizations with agriculture focus (e.g., introduce pest and disease resistant subsistence crops; improve cocoa production, and cocnut and copra processing)</li> <li>Strengthen quarantine and plant protection services</li> </ul>	<ul> <li>Build roads to Taro for farmers to get products to the market</li> <li>Upgrade water supply in Sasamunga urgently</li> <li>Repair and expand Internet service, an important rural communication tool</li> <li>Improve shipping services to the province (wharf facilities on the southern part of Choiseul)</li> </ul>	<ul> <li>Link conservation initiatives (forestry and marine resources) to ecotourism development</li> <li>Improve local management of resources</li> </ul>

PROVINCE/ AREA	LOCAL GOVERNANCE/ SERVICE DELIVERY	FARM SUPPORT SERVICES	INFRASTRUCTURE AND OTHER ECONOMIC SERVICES	NATURAL RESOURCES MANAGEMENT
Guadalcanal	<ul> <li>Provide housing for posting of extension staff at stations/sub-stations and training</li> <li>Study feasibility of regional centers;</li> <li>Provide resources for rural development;</li> <li>Hold donor consultations with province on location and prioritization of projects</li> </ul>	- Tailor (demand-driven) agricultural advice to needs of different areas (e.g., cocoa improvement in Babanakira and Tina)	<ul> <li>Build roads (e.g., Marau- Kuma) and transportation to connect the Weather coast to markets;</li> <li>Improve access to financial services</li> </ul>	<ul> <li>Address remaining land disputes</li> <li>Work with communities on land use plans and training/ awareness on resources management</li> <li>Control logging and pass Forestry Bill</li> <li>Involve logging and pass forestry Bill</li> <li>Involve logging and pass in reforestation</li> <li>Obtain legal assistance to pass ordinances</li> </ul>
Isabel	- Provide housing and operational budgets for staff	<ul> <li>Improve subsistence crops</li> <li>Set up local marketing networks</li> </ul>	<ul> <li>Electricity and</li> <li>telecommunications;</li> <li>Establish regular shipping services</li> </ul>	- Control logging; - Increase environmental awareness
Makira	- Provide operational budgets, key staff already in place	<ul> <li>Focus on how to add value and sell by agriculture extension</li> <li>Focus on marketing of key products (e.g., banana, cocoa) and collection systems</li> <li>Focus on advice for women</li> </ul>	<ul> <li>Develop roads, wharves, and transportation services</li> <li>Reduce costs of telecommunications</li> <li>Expand electrification</li> <li>Offer financial literacy training</li> </ul>	<ul> <li>Increase environmental awareness of logging, big social and environmental problems;</li> <li>Improve local-level resource management by resource owners</li> </ul>

SOURCES	<ul> <li>Offer local mechanisms for land dispute resolution (e.g., Bina harbour)</li> <li>Develop village forest plantation</li> </ul>	s with the ge listing of Island and o
NATURAL RESOURCES MANAGEMENT	<ul> <li>Offer local mechanisms for land dispute resolutic (e.g., Bina harbour)</li> <li>Develop village forest plantation</li> </ul>	- Review new opportunities with the World Heritage listing of East Rennell Island and Lake Teganno
INFRASTRUCTURE AND OTHER ECONOMIC SERVICES	<ul> <li>Provide financial literacy training</li> <li>Provide access to finance services</li> </ul>	<ul> <li>Establish access to electricity and telephone connection with Honiara (currently none);</li> <li>Set regular shipping services (sometimes several months without service)</li> <li>Repair the one road on island of Rennell urgently and also feeder roads to garden areas</li> </ul>
FARM SUPPORT SERVICES	<ul> <li>Tailor to comparative advantage of different regions (e.g., pigs in Malu'u)</li> <li>Provide women-focused extension services</li> <li>Provide only demand- driven research</li> <li>Train agricultural officers (not received for 10 years)</li> <li>Improve marketing and market intelligence</li> <li>Re-establish use of underused facilities in the province</li> </ul>	<ul> <li>Address urgent pest issues affecting root crops (Taro) with MAL support</li> <li>Seek advice on expansion of the growing season for food crops &amp; new crops that could be adapted to local soil conditions</li> <li>Seek advice on improving soil fertility</li> <li>Tailor specific business advice for women</li> </ul>
LOCAL GOVERNANCE/ SERVICE DELIVERY	<ul> <li>Clarify roles and functions of provincial government and improve linkages with rural communities and with Center</li> <li>Integrate productive sectors extension services</li> <li>Establish specific mechanism for coordination (including with NGOs)</li> <li>Provide housing for provincial staff</li> </ul>	- Fill vacant positions in provincial government (secretary, treasurer, legal adviser, senior fisheries officer, works officer, and planning officer)
PROVINCE/ AREA	Malaita	Rennell and Bellona

OTHER ECONOMIC	NATURAL RESOURCES
SERVICES	MANAGEMENT
- Set regular, reliable	<ul> <li>Find solutions to how</li></ul>
shipping services;	land issues constrain
- Develop road network on	development <li>Improve local</li>
Santa Cruz and wharves,	management of marine and
and storage facilities	forest resources
<ul> <li>Reduce cost of utilities (telecommunications, etc) to facilitate business development</li> <li>Review taxation impeding rural investment</li> <li>Introduce financial literacy necessary for banks to expand services</li> <li>Create collection points and markets (including better market at Gizo)</li> </ul>	<ul> <li>Establish community- based resource management and conservation (marine and forest resources)</li> <li>Link with potential for tourism development</li> </ul>

- Provide specific programs

- Develop community-level planning and linkages with

Western

generation for young

provincial governments

people

focused on income

- Improve value chains and

**Provincial Governments** 

Act

- Improve provincial revenues for service

- Implement fully the

products) to raise benefits marketing (e.g., coconut

for farmers and traders;

intelligence network

provincial government

- Provide housing for

provincial workers

in public expenditures and coordination with

- Assure transparency

provision

- Develop market

PRIORITIES IDENTIFIED BY RURAL SOLOMON ISLANDERS IN THE PROVINCES

Temotu

FARM SUPPORT SERVICES

LOCAL GOVERNANCE/ SERVICE DELIVERY

PROVINCE/ AREA

- Improve marketing

systems

staff, housing for staff and

operating budgets

- Provide key missing

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#### This report was prepared under the leadership of the Solomon Islands Government Ministry of Development Planning and Aid Coordination with support from



European Commission



Regional Assistance Mission to Solomon Islands (RAMSI)



The World Bank East Asia and Pacific Region Pacific Islands Country Management Unit

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**Front cover photo:** Pineapple shipping in Malaita province (Auki). Improving the marketing of food and fresh fruit to improve incomes in rural areas.

**Back cover photos (top row):** Oil palm nursery and vanilla plot in Guadalcanal province. The resumption of oil palm production in Guadalcanal is a positive sign that solutions can be found.

(bottom row): Wharf in Malaita province and fish market in Makira province. The most important issue for the development of coastal fishing in Solomon Islands is to establish sustainable management systems.